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United Nations Joint Staff Pension Fund

Report of the United Nations Joint Staff Pension Board

Fifty-fifth session
(10-18 July 2008)

General Assembly
Official Records
Sixty-third Session
Supplement No. 9

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Note

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Contents

Chapter		*Paragraphs*	*Page*
	Abbreviations		vii
I.	Introduction	1–10	1
II.	Overview of decisions taken by the Board	11–12	3
	A. Recommendations and decisions of the Board that require action by the General Assembly	11	3
	B. Information provided to the General Assembly on other action taken by the Board	12	4
III.	Summary of the operations of the Fund for the biennium ended 31 December 2007	13–15	9
IV.	Actuarial matters	16–86	10
	A. Twenty-ninth actuarial valuation of the Fund as at 31 December 2007	16–45	10
	B. Membership of the Committee of Actuaries	46–48	18
	C. Changes in commutation, transfer value and other factors reflecting updated mortality tables	49–63	18
	D. Monitoring of actuarial costs of modifications of the two-track feature of the pension adjustment system	64–76	20
	E. Cost estimates for provision to allow purchase of years of contributory service of part-time staff	77	24
	F. Cost estimates with respect to a reduction of the minimum period of contributory service required to qualify for a periodic benefit and with respect to an increase in the amount of the withdrawal settlement	78–86	24
V.	Investments of the Fund	87–147	26
	A. Management of the investments	87–103	26
	B. Study regarding the introduction of alternative asset classes	104–112	29
	C. Membership of the Investments Committee	113–116	31
	D. Status of the Global Compact and the investments of the Fund	117–128	31
	E. Information on changes to the Fund's practice on administrative costs as they relate to the Investment Management Service budget and record-keeping	129	34
	F. Investment policy	130–144	34

	G.	Glossary of terms of investment-related issues	145	36
	H.	Inclusion of contractual settlements in the custody agreement between the Fund and the Investment Management Service	146–147	36
VI.	Administrative matters of the Fund		148–235	37
	A.	Financial statements for the biennium 2006-2007	148–153	37
	B.	Status report on the Emergency Fund	154–161	37
	C.	Enterprise Resource Planning project: results of the study on the Integrated Pension Administration System	162–169	38
	D.	Overall review of the Fund's staffing and organizational structure: medium-term human resource plan	170–179	40
	E.	Revised budget estimates for the biennium 2008-2009	180–197	44
	F.	Business continuity plan and disaster recovery procedures	198–205	46
	G.	Third management charter (2008-2011)	206–214	47
	H.	Consolidation of the information technology services of the secretariat and the Investment Management Service	215–222	49
	I.	Contractual arrangements with the consulting actuary	223–231	50
	J.	Report of the medical consultant (Rules of Procedure, rule D.3)	232–235	52
VII.	Audit		236–261	53
	A.	Report of the Audit Committee	236–252	53
	B.	External audit	253–261	56
VIII.	Governance matters		262–294	58
	A.	Proposed amendments to the Regulations and Rules of the Fund	262–274	58
		1. Provision for declaration of conflict of interest by members of Fund committees	262–264	58
		2. Changes to the Regulations related to return to contributory service after period of disability	265–266	58
		3. Revision to administrative rule B.6 (b): participants who separate and return to service	267	59
		4. Provision to allow purchase of years of contributory service by part-time staff	268–274	59
	B.	Plan design	275–286	60
		1. 2002 Pension Board recommendations on benefit provisions	275–279	60
		2. Proposed terms of reference for the Working Group on Plan Design	280–286	61
	C.	Clarification of policy on Board attendance: article 5 (a) (ii) of the Regulations of the Fund	287–288	63

D. Review of the revised memorandum of understanding between the Chief Executive Officer and the Representative of the Secretary-General for the Investments of the Fund 289–294 64

IX. Benefit provisions of the Fund 295–330 65

A. Study on the impact of currency fluctuations on Fund pension benefits 295–312 65

B. Study on small pensions and bank charges 313–321 71

C. Benefit provisions with respect to family or former family members 322–325 72

D. Implementation of revised article 24 on restoration 326–330 73

X. Other matters 331–349 76

A. Report of the 190th meeting of the Standing Committee 331 76

B. United Nations Administrative Tribunal judgements of interest to the Board: reform of the internal justice system of the United Nations 332–333 76

C. Application for membership in the Fund 334–343 77

D. Election of members of the Standing Committee (Rules of Procedure, rule B.1) 344 79

E. Reappointment of the Deputy Secretary/Deputy CEO of the UNJSPF 345–346 79

F. Venue and date of the fifty-sixth session of the Pension Board 347 79

G. Other business 348–349 79

Annexes

I. Member organizations of the United Nations Joint Staff Pension Fund 80

II. Membership of the Board and attendance at the fifty-fifth session 81

III. Statement of the actuarial sufficiency, as at 31 December 2007, of the United Nations Joint Staff Pension Fund to meet the liabilities under article 26 of the Regulations 86

IV. Statement of actuarial position of the United Nations Joint Staff Pension Fund as at 31 December 2007 88

V. Membership of the Committee of Actuaries 89

VI. Membership of the Investments Committee 90

VII. Statistics on the operations of the Fund for the biennium 2006-2007 91

VIII. Audit opinion and financial statements and schedules for the biennium 2006-2007 94

IX. Report of the Board of Auditors on the financial statements of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2007 115

X. Size and composition of the United Nations Joint Staff Pension Board 147

XI. Size and composition of the Standing Committee 148

XII. Allocation and rotation of seats on the United Nations Joint Staff Pension Board after 2006 149

XIII. Allocation and rotation of seats on the Standing Committee after 2006 150

XIV. Recommendations to the General Assembly for amendments to the Regulations of the United Nations Joint Staff Pension Fund 151

XV. Amendment to the Administrative Rules of the United Nations Joint Staff Pension Fund 158

XVI. Revised administrative expenses for the biennium 2008-2009 161

XVII. Draft resolution proposed for adoption by the General Assembly 163

Abbreviations

CCISUA	Coordinating Committee for Independent Staff Unions and Associations of the United Nations System
CEB	United Nations System Chief Executives Board for Coordination
CEO	Chief Executive Officer
EPPO	European and Mediterranean Plant Protection Organization
FAFICS	Federation of Associations of Former International Civil Servants
FAO	Food and Agriculture Organization of the United Nations
FICSA	Federation of International Civil Servants' Associations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICC	International Criminal Court
ICCROM	International Centre for the Study of the Preservation and the Restoration of Cultural Property
ICGEB	International Centre for Genetic Engineering and Biotechnology
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMO	International Maritime Organization
IOM	International Organization for Migration
IPSAS	International Public Sector Accounting Standards
IPU	Inter-Parliamentary Union
ISA	International Seabed Authority
ITLOS	International Tribunal for the Law of the Sea
ITU	International Telecommunication Union
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
UNJSPF	United Nations Joint Staff Pension Fund

WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Tourism Organization

Chapter I
Introduction

1. The United Nations Joint Staff Pension Fund (UNJSPF) was established in 1949, by a resolution of the General Assembly, to provide retirement, death, disability and related benefits for staff upon cessation of their services with the United Nations, under Regulations that, since then, have been amended at various times.

2. As an independent inter-agency entity, the Fund operates under its own Regulations as approved by the General Assembly and, in accordance with its governance structure, is administered through the United Nations Joint Staff Pension Board, which currently consists of 33 members, representing the 22 member organizations that are listed in annex I to the present report. One third of the Board members are chosen by the General Assembly and the corresponding governing bodies of the other member organizations, one third by the executive heads of those organizations and one third by the participants in the Fund. The Board reports to the General Assembly on the operations of the Fund and on the investment of its assets. When necessary, it recommends amendments to the Regulations and to the Fund's pension adjustment system, which govern, inter alia, the rates of contribution by the participants (currently 7.9 per cent of their pensionable remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation and the benefits to which participants and their dependants may become entitled. Expenses incurred in the administration of the Fund — principally the cost of its central secretariat in New York and its Office in Geneva, and the expenses of managing its investments — are met by the Fund.

3. The present report is submitted by the Board following its fifty-fifth session, held from 10 to 18 July 2008 at the International Fund for Agricultural Development (IFAD), in Rome. The members, alternate members and representatives accredited to the session of the Board, the Chairman and other officers elected by the Board, and those who actually attended, are listed in annex II.

4. The major items dealt with by the Board were: (a) actuarial matters, including, in particular, the results of the twenty-ninth actuarial valuation of the Fund as at 31 December 2007; (b) the management of the investments of the Fund, including reports by the Representative of the Secretary-General for the Investments of the Fund on the investment strategy, policies, practices and performance for the two-year period ending 31 March 2008; (c) Enterprise Resource Planning (ERP) project: results of the study on the Integrated Pension Administration System (IPAS) project; (d) revised budget estimates for the biennium 2008-2009; (e) overall review of the Fund's staffing and organizational structure: medium-term human resources plan; (f) the third management charter of the Fund (2008-2011); (g) study on the impact of currency fluctuations on UNJSPF pension benefits; and (h) consideration of the balance of the recommendations made by the Pension Board in 2002 relating to the benefit provisions of the Fund.

5. The Board also examined and took note of the financial statements and schedules for the biennium 2006-2007 and considered the report of the Board of Auditors on the accounts and operations of the Fund. It also considered a report from the Audit Committee of the Board.

6. Other items considered by the Board and included in the present report were related to: (a) the review of the revised memorandum of understanding between the Chief Executive Officer (CEO) of the Fund and the Representative of the Secretary-General for the Investments of the Fund; (b) consolidation of the information technology (IT) services of the secretariat and the Investment Management Service; (c) application for membership in the Fund by the Special Tribunal for Lebanon; and (d) proposed terms of reference for a new working group on plan design.

7. The membership of the Committee of Actuaries, established under article 9 of the Regulations, is shown in annex V.

8. The membership of the Investments Committee, established under article 20 of the Regulations, is shown in annex VI.

9. Chapter II below provides an overview of the decisions taken by the Board at its fifty-fifth session (and fifty-fourth session not yet reported on) and chapter III provides a summary of the operations of the Fund for the biennium ended 31 December 2007. Chapters IV-IX address issues on which action is required by the General Assembly, as well as matters on which the Board is obliged to report to the Assembly. The salient observations, conclusions and recommendations of the present report are highlighted in bold print.

10. A draft resolution for the consideration of the General Assembly is contained in annex XVII.

Chapter II
Overview of decisions taken by the Board

A. Recommendations and decisions of the Board that require action by the General Assembly

11. The following recommendations and decisions taken by the Board at its fifty-fifth session require action by the General Assembly:

(a) The Board recommends that the Assembly approve the inclusion of contractual settlement provisions in the agreement with the Global Custodian of the Fund. In circumstances where a trade failed to settle owing to delays in transferring funds, the Global Custodian would lend the funds to the Fund at the standard bank interest rate in order to be in a position to effect the trade on the contracted settlement date;

(b) The Board recommends a total appropriation for the biennium 2008-2009 in the amount of $75,899,200 for the revised administrative costs, $74,637,500 for the revised investment costs and $72,700 for the revised Pension Board expenses. The total budget for the biennium would increase by $2,204,000 to $153,199,100, representing a net increase of 1.5 per cent of the initially approved appropriation. Of that amount, $134,351,100 is chargeable to the principal of the Fund and $18,848,000 is the share borne by the United Nations under the cost-sharing arrangement;

(c) Following its decision at its fifty-fourth session, in 2007, the Board recommends an amendment to the Regulations of the Fund in order to allow participants who return to active contributory service after a period on disability to count such periods of disability as contributory service without requiring the participant or the employer to pay contributions for that period. The relevant amendment to article 24 (b) of the Regulations of the Fund is contained in annex XIV; the related change to the Administrative Rules of the Fund is contained in annex XV;

(d) The Board recommends approval of an amendment to the Regulations of the Fund that would allow for the purchase of additional years of contributory service by part-time staff. The Board recalled that the decision had been taken in 2007, but that it had requested the Committee of Actuaries to review the item at its meeting in 2008. On the basis of the Board's review, the proposed amendment would contain strict limitations; the Board noted that its decision was not to set any precedent with regard to purchasing additional contributory service and that the decision was to be monitored in the light of an experience review. The relevant amendment to the Regulations of the Fund is contained in annex XIV;

(e) The Board recommends approval of the funding to meet the estimated expenses of a working group, which the Board agreed to establish in order to consider various proposals advanced during the last few sessions of the Board concerning the plan design of the Fund. As noted in the terms of reference included in the report, the balance of the recommendations of the Board made in 2002 that have already been approved in principle by the General Assembly, should continue to be considered priority issues. The estimated costs for travel expenses of the working group would be $271,100; that amount should cover estimated expenses

that would be incurred in 2009 and 2010, as the group would be expected to present its report to the Board at its session in 2010;

(f) In 2007, the Board reaffirmed its earlier decision, which maintained that the Fund should determine entitlements to pension benefits, in particular under articles 34 and 35 (spousal benefits) of the Regulations of the Fund, in accordance with the personal status of a participant as recognized and reported to the Fund by the participant's employing organization, on the understanding that the final verification that the personal status has remained the same will be done by the UNJSPF at the time of granting such pension benefits. Furthermore, the Board recommends approval of amendments to the Regulations of the Fund that would streamline the application of the relevant provisions governing family, or former family, members under articles 35 bis, 35 ter and 36. The relevant amendments to the Regulations of the Fund are contained in annex XIV;

(g) At its fifty-third session, in 2006, the Board recommended and in its resolution 61/240 the General Assembly approved elimination of the limitation on the right of restoration for existing and future participants based on the length of contributory service. At its fifty-fifth session, the Board clarified that revised article 24 (a) covered not only participants who had received a withdrawal settlement, but also those who before 1 April 2007 had elected a deferred retirement benefit (full or partial) that was not yet in payment; and that former participants who had not made a benefit election and who were therefore deemed to have elected the deferred benefit were to be treated the same way as those who had elected a deferred benefit. The Board requests approval for a technical amendment to article 24 of the Regulations, on the basis of its decision. The amended text is provided in annex XIV;

(h) The Board recommends the admission of the Special Tribunal for Lebanon to membership in the Fund, effective 1 January 2009, conditional on the Secretary/CEO confirming to the General Assembly that the Tribunal follows the United Nations common system of salaries and allowances and other conditions of service, as required under article 3 (b) of the Regulations of the Fund.

B. Information provided to the General Assembly on other action taken by the Board

12. The General Assembly may wish to take note of the following decisions and other issues that were considered by the Board at its fifty-fifth session:

(a) The actuarial valuation of the Fund, performed as at 31 December 2007, revealed a surplus of 0.49 per cent of pensionable remuneration, which was the Fund's sixth consecutive actuarial surplus;

(b) The Board noted that the periodic review of the costs/savings of modifications to the two-track feature of the pension adjustment system showed consistency with the past assessments and therefore decided that no changes were needed at that time; it also requested that consideration of the costs and/or savings of the modifications of the two-track system should continue to be taken up in conjunction with the actuarial valuations;

(c) At its fifty-fourth session, in 2007, the Board had agreed to adopt new 2007 United Nations mortality tables that would reflect improved longevity rates for

participants covered by the Fund. In 2008, the Board agreed that the commutation, transfer value and other factors should be modified to reflect the new mortality tables, with effect from 1 January 2009;

(d) The Board considered a study concerning the introduction of alternative asset classes to the Fund's investments, which recommended an overall allocation of 18 per cent to alternative asset classes. The Board made the following observations and suggestions to the Representative of the Secretary-General for the Investments of the Fund:

(i) Any undertakings to invest in alternative asset classes should be done judiciously, incrementally, taking into account cost implications and upon regular consultation with the Investments Committee;

(ii) The Board considers that alternative asset class allocations of as much as 18 per cent of the Fund's overall investments portfolio are overly ambitious; it recommends therefore that such proposed allocations for alternative investment classes should be reconsidered in view of the incremental approach suggested above;

(iii) The Investment Management Service should develop specific proposals for the Board's consideration, in 2009, setting forth the resources that may be needed in order for the Service to have sufficient in-house expertise and outside investment advisory support to effectively implement and manage a portfolio having alternative investment classes;

(iv) The Representative of the Secretary-General should continue to advise the Board regularly about any efforts to invest any of the Fund's portfolio in alternative asset classes;

(e) The Board welcomed the initiative for responsible investing and reconfirmed its support for such principles subject to the four criteria for investment of the assets of the Fund, namely, safety, liquidity, convertibility and profitability. The Board requested that the Investment Management Service continue to implement that initiative within the existing staffing table and make any request for additional resources in the context of the budget proposals for the biennium 2010-2011;

(f) The Board recalled that, at its fifty-third session, it had requested the Secretary/CEO and the Representative of the Secretary-General to review the memorandum of understanding between the Fund secretariat and the Investment Management Service, with a view to strengthening coordination and the consultation process, in particular with regard to financial management and investment policy. The Board reiterated that request and recommended that the work on the memorandum of understanding continue and that the revised memorandum be presented to the Board at its fifty-sixth session;

(g) The Board approved the project plan and implementation approach in respect to the IPAS. In the context of the budget proposal for 2010-2011, the Secretary/CEO will present a comprehensive proposal, including detailed costs relating to hardware; software; contractual services, including costs of systems integrators and external consultants; and other related costs for the project;

(h) The Board reviewed the report on the Fund's staffing and organizational structure ("whole office review"), which had been undertaken at its request, by the

Secretary/CEO and the Representative of the Secretary-General for the Investments of the Fund. It noted that an accountability statement on the activities of the Fund had been prepared and requested that it be expanded to include all other activities of the Fund, such as investment of its assets:

(i) The Representative of the Secretary-General was requested to provide further information on the functional model that the Investment Management Service might propose, including a review of the scope of activities and the responsibilities of the internal investment managers, external advisers and asset managers, and to present any financial implications that might arise in the context of the budget proposals for 2010-2011;

(ii) The Secretary/CEO was also requested to present, in the context of the budget presentation for the biennium 2010-2011, fully justified and comprehensive proposals that might require additional resources and that relate, inter alia, to best practices in a public sector defined-benefit fund; possible organizational changes in the Fund's structure; and performance management;

(i) The Board considered the Fund's third management charter and welcomed its focus on a more strategic approach to performance issues. It also requested the Secretariat to continue to improve its reporting to the Board using a result-based management approach, including strategic objectives, results, key performance indicators and programme evaluation techniques;

(j) The Board recalled that IT consolidation had already been approved, with budgetary resources, and should be implemented without further delay. It noted that IT consolidation would be considered a priority among the items being addressed in the context of the memorandum of understanding between the Secretariat and the Investment Management Service and that it would be reported on at the fifty-sixth session of the Board in 2009;

(k) The Board approved the extension of the current contract with the consulting actuary to 31 December 2010. It also requested that a formal bidding exercise be undertaken for future contractual arrangements and that the short-listed vendors be presented for its consideration at its session in 2010;

(l) The Chairman of the Audit Committee presented its second report to the Board. The Board approved all the recommendations made by the Audit Committee in its report, in which the Committee:

(i) Recommended that the terms of reference of the Audit Committee be amended so as to have the Committee review and endorse annual internal audit plans, in close consultation with the Fund's management;

(ii) Advised both the CEO and the Representative of the Secretary-General to collaborate closely when responding to specific audit observations or recommendations and to ensure that the necessary coordination took place, preferably before the internal audit reports were finalized and made public;

(iii) Stressed the importance of having a mechanism for regular reconciliation of accounts;

(iv) Concluded that the establishment of a joint financial accounting function (assets and liability) would strengthen the Fund's internal financial controls and enhance the confidence of the stakeholders;

(v) Recommended that, with respect to implementation of the International Public Sector Accounting Standards (IPSAS), management should accelerate its planning efforts, including consultations with the internal and external auditors;

(vi) Concluded that the Fund's policy with respect to risk management was well in line with good practices;

(vii) Called for updated information on the status of implementation of the established UNJSPF risk management policy on an ongoing basis and in close cooperation of the Representative of the Secretary-General and the CEO, on a regular basis, to ensure that the Fund had a well-coordinated, joint approach to its overall operations and in particular with regard to risk management;

(viii) Recommended the approval of two new members to the Audit Committee in order to replace a UNJSPF retiree and an expert member who had resigned for personal reasons;

(ix) Concluded that all Committee members should be treated equally for travel purposes and that, given the status of the Audit Committee as a standing subcommittee of the Board, in that regard it should be given a status similar to that of the Investments Committee;

(m) The Board considered the report of the Board of Auditors and noted the main recommendations included in the report. The report is attached as annex IX;

(n) The Board noted that, at their 2008 meetings, the Investments Committee, the Committee of Actuaries and the Audit Committee had all been presented a declaration of conflict of interest, which referred to the mandate and the focus of each committee and which covered the status, conduct and accountability of the committee members. All three committees had agreed to their respective declarations of conflict of interest for their members and the Board formally approved the declarations, as presented by the secretariat of the Fund;

(o) The Board approved a change in the Fund's administrative rule B.6 (b), to align the time limit therein (to 36 months) with articles 21 and 32 of the Regulations of the Fund, which the Board had recommended and the General Assembly approved in 1998. The relevant text of the amendment to rule B.6 (b) is contained in annex XV;

(p) The Board considered the balance of its 2002 recommendations concerning modifications to previous economy measures that had been taken in the 1980s to address the actuarial deficits at that time. It recalled that the Assembly had approved those recommendations, in principle, but with implementation to begin when the actuarial valuation showed a clear upward pattern of surpluses. The Board considered the remaining recommendations in the context of the most recent results of the valuation carried out as at 31 December 2007. Given the importance of the matter, the Board decided to keep the item as a priority on its agenda;

(q) The Board recalled that the impact of currency fluctuations on pension benefits and the variations in amounts due as a result of different separation dates

had been studied frequently throughout the history of the Fund's pension adjustment system. The 2008 review on the subject had been prepared by the secretariat on the basis of a note presented to the Board by the International Atomic Energy Agency (IAEA) Staff Pension Committee and was carried out in three parts:

(i) Concerning the impact of currency fluctuation on the local currency track pension benefits for Professional staff, the Board noted two important points that required attention: (a) the wide variations in local currency track benefits and thus in income replacement (I/R) ratios, which resulted from different dates of separation and different applicable exchange rates between 2002 and 2005; and (b) the continued but moderating downward trend in local currency track amounts that could reach a point where action might be required. Following extensive discussions on the matter, the Board noted that the sharp declines experienced during the period 2002-2005 had been levelling off and the current local currency track amounts (and the related I/R ratios) in the locations reviewed did not appear to have reached a point where immediate action would be required. The Board decided to continue to monitor the situation closely and to review the matter again at its session in 2009, when it would be prepared to make a recommendation if required. The Board's decision on the matter is fully reflected in the report;

(ii) The Board noted that the variations in the local currency track pension amounts payable to General Service staff in the locations examined continued to remain within an acceptable range and that although no immediate action would be required it would continue to monitor the situation;

(iii) The Board took note of the review carried out with respect to a possible change in the base currency of the Fund;

(r) The Board took note of the report concerning small pensions and bank charges, and encouraged the secretariat to continue to work on reducing costs to beneficiaries in that area;

(s) The Board also took note of information provided on the reform of the internal justice system of the United Nations. It recognized that should there be significant or substantive changes to the Statute of the Appeals Tribunal, or to other conditions under which the Appeals Tribunal would exercise jurisdiction over UNJSPF participants or other applicants, as defined in article 48 of the Regulations of the Fund, the matter could require negotiations with the Fund's member organizations and involve changes to its Regulations;

(t) Finally, the Board noted that, in 2007, the Fund had carried out its first asset-liability management study. Such a study is a disciplined way of generating long-term projections of the Fund's future liabilities and assets, and of integrating both in order to make informed decisions as to the plan's design and/or its investment policy. The study was presented to the Board in 2007 and confirmed that the Fund had a sound actuarial process; that its asset allocation was sound; and that the Fund was stable and well funded. The study also suggested that the Fund should explore opportunities for introducing private equity and real return asset classes into its portfolio.

Chapter III

Summary of the operations of the Fund for the biennium ended 31 December 2007

13. During the biennium ended 31 December 2007, the number of participants in UNJSPF increased from 93,683 to 106,566, or by 13.8 per cent; the number of periodic benefits in award increased from 55,140 to 58,084, or by 5.3 per cent. On 31 December 2007, the breakdown of the periodic benefits in award was as follows: 19,482 retirement benefits, 13,074 early retirement benefits, 6,782 deferred retirement benefits, 9,597 widows' and widowers' benefits, 8,001 children's benefits, 1,106 disability benefits and 42 secondary dependants' benefits. In the course of the biennium, 12,174 lump-sum withdrawal and other settlements had been paid. A breakdown by member organization of participants and of benefits awarded is shown in annex VII to the present report.

14. During the same two-year period, the principal of the Fund increased from $23,564,271,285 to $30,583,419,830, or by 29.8 per cent (see annex VIII, statement II).

15. The investment income of the Fund during the period amounted to $7,168,506,562, comprising $2,399,736,582 in interest, dividends, real estate and related securities, and $4,768,769,980 in net profit on sales of investments. After deduction of investment management costs amounting to $43,165,446, net investment income was $7,125,341,116. A summary of the investments as at 31 December 2007 and a comparison of their cost and market values is given in annex VIII, schedules 2 and 3.

Chapter IV
Actuarial matters

A. Twenty-ninth actuarial valuation of the Fund as at 31 December 2007

16. Article 12 (a) of the Regulations of the Fund provides that the Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities. The practice of the Board has been to carry out a valuation every two years.

17. The consulting actuary submitted to the Board the report on the twenty-ninth actuarial valuation of the Fund as at 31 December 2007; the previous valuation had been as at 31 December 2005 and its results had been reported to the General Assembly at its sixty-first session, in 2006. The Board also had before it the observations of the Committee of Actuaries, which had examined the valuation report prior to its submission to the Board.

Actuarial valuation bases

18. The valuation had been prepared on the basis of the actuarial assumptions recommended by the Committee of Actuaries and approved by the Pension Board in 2007 and in accordance with the Regulations, Rules and Pension Adjustment System of the Fund in effect as at the valuation date.

19. As in the last 10 valuations, the actuarial value of the assets as at 31 December 2007 was determined using a five-year moving market value averaging method, subject to a limiting corridor of 15 per cent below and above the market value of the assets as at 31 December 2007. On that basis, the actuarial asset value was determined to be $35,620.4 million, which is 15 per cent less than the market value of the assets ($41,906.4 million, after cash flow adjustments).

20. The actuarial assumptions include three sets of economic assumptions and four sets of participant growth assumptions that were used in various combinations. No changes were made in the assumptions for the real rate of return on investments, inflation or real salary increases. The participant growth assumptions were: (a) zero growth for all years; (b) positive growth of 0.5 per cent per annum for 10 years, followed by zero growth thereafter; (c) positive growth of 1.0 per cent per annum for 10 years, followed by zero growth thereafter; and (d) zero growth assumption for 10 years, followed by negative growth of 0.5 per cent per annum for each of the next 20 years, followed by zero growth thereafter. These economic and participant growth assumptions are set out in table 1 below:

Table 1

	Assumption (percentage)			
	I	*II*[a]	*III*	*IV*
A. Economic factors				
Increase in pensionable remuneration (in addition to static increases)	4.5	4.5	4.5	
Nominal rate of interest (investment return)	7.0	7.5	8.0	
Price increases (reflected in increases of pensions to beneficiaries)	4.0	4.0	4.0	
Real rate of interest (investment return after inflation)	3.0	3.5	4.0	
Usual designation	4.5/7/4	4.5/7.5/4	4.5/8/4	
Cost of the two-track adjustment system (1.9 per cent of pensionable remuneration)	Included	Included	Included	
B. Future growth of the participant population				
For each of the first 10 years:				
Professional staff	0.0	0.5	1.0	0.0
General Service staff	0.0	0.5	1.0	0.0
For each of the next 20 years (zero growth thereafter):				
Professional staff	0.0	0.0	0.0	(0.5)
General Service staff	0.0	0.0	0.0	(0.5)

[a] Regular valuation basis.

21. The Committee of Actuaries recommended, and the Pension Board agreed in 2007, that the 4.5/7.5/4 set of assumptions (i.e. 4.5 per cent annual increase in pensionable remuneration in addition to the static scale, 7.5 per cent nominal interest rate and 4 per cent annual inflation rate with respect to increases in pensions after award) and the "10-year 0.5 per cent participant growth assumptions" should serve as the basis of the regular valuation for 2007.

22. The specific combinations reflected in table 1 and included in the actuarial valuations as at 31 December 2007 were as follows: A.II with B.II (4.5/7.5/4 and 10-year 0.5 per cent growth in participants); A.I with B.II (4.5/7/4 and 10-year 0.5 per cent growth in participants); A.III with B.II (4.5/8/4 and 10-year 0.5 per cent growth in participants); A.II with B.I (4.5/7.5/4 and zero growth in participants); A.II with B.III (4.5/7.5/4 and 10-year 1.0 per cent growth in participants); and A.II with B.IV (4.5/7.5/4 and 10-year zero and 20-year (0.5) per cent growth in participants).

23. With regard to demographic assumptions, the following changes had been approved by the Pension Board in 2007, acting on the recommendation of the Committee of Actuaries:

(a) A reduction in the tabular rates of withdrawal for men in the Professional category and above by 15 per cent for participants with three or more years of service;

(b) Adoption of new 2007 United Nations mortality tables for pensioners and active participants reflecting the Fund's experience for the five-year period 2002-2006, with the rates of mortality for pensioners based on annuity size;

(c) A change to strengthen the graded scales of forecast decreases in healthy pensioner's mortality rates with application of the scales for the 20-year period ending 2027:

(i) For males, a graded scale with a 2 per cent reduction per annum for ages 70 and younger, declining on a straight-line basis, to zero per cent for ages 95 and older, with the annual reductions in mortality being applied on a geometric basis;

(ii) For females, the current improvement scale was retained, that is, a graded scale with a 2 per cent reduction per annum for ages 60 and younger, declining on a straight-line basis, to zero per cent per annum for ages 90 and older, with the annual reduction in mortality rates being applied on a geometric basis, but the scale is being applied through 2027;

(d) For active participants, the 2007 mortality rates were applied with a uniform reduction of 10 per cent in the tabular rates;

(e) The mortality assumptions applicable to healthy pensioners are also applied to widows and other beneficiaries;

(f) For disabled pensioners, the 2007 mortality tables with a five-year age set forward were applied, but the longevity improvement function scale was not used.

24. Upon the recommendation of the Committee of Actuaries, the Pension Board agreed that the provision for administration costs to be included in the current valuation should be based on one half of the approved budget for the biennium 2008-2009, divided by the total pensionable remuneration as at 31 December 2007. Using that methodology, the provision for administration costs included in the 31 December 2007 actuarial valuation was 0.37 per cent of pensionable remuneration.

Analysis of the valuation results

25. The table below provides the results of the twenty-ninth actuarial valuation and compares them with the results of the regular valuation as at 31 December 2005.

Table 2

Valuation date	*Valuation basis*	*Contribution rate required (as percentage of pensionable remuneration) to attain actuarial balance of Fund*		
		Required rate	*Current rate*	*Difference (surplus)/deficit*
31 December 2007	4.5/7.5/4 with 10-year 0.5 per cent participant growth (regular valuation)	23.21	23.70	(0.49)
	4.5/7.0/4 with 10-year 0.5 per cent participant growth	25.93	23.70	2.23
	4.5/8/4 with 10-year 0.5 per cent participant growth	20.58	23.70	(3.12)
	4.5/7.5/4 with zero participant growth	23.31	23.70	(0.39)
	4.5/7.5/4 with 10-year 1.0 per cent participant growth	23.11	3.70	(0.59)
	4.5/7.5/4 with 10-year zero and then 20-year (0.5) per cent participant growth	23.50	23.70	(0.20)
31 December 2005	4.5/7.5/4 with 10-year 0.5 per cent participant growth (regular valuation)	22.41	23.70	(1.29)

26. Therefore, the regular valuation as at 31 December 2007 showed that the required contribution rate as at 31 December 2007 was 23.21 per cent as compared with the current contribution rate of 23.70 per cent, resulting in an actuarial surplus of 0.49 per cent of pensionable remuneration. This represents an increase of 0.80 per cent in the required contribution rate from the rate disclosed as at 31 December 2005 (i.e. an increase from 22.41 per cent to 23.21 per cent), when the valuation had revealed a surplus of 1.29 per cent. As can be seen in table 2, under real rate of return assumptions of 3 per cent and 4 per cent, with 10-year 0.5 per cent participant growth, the results would be, respectively, a deficit of 2.23 per cent and a surplus of 3.12 per cent of pensionable remuneration, which demonstrates the major effect of the real rate of return assumption on the valuation results.

Current value of accrued benefits

27. The actuarial valuation contained another indicator of the funded position of the Fund, namely a comparison of the current assets of the Fund with the value of the accrued benefits on the valuation date (i.e. the benefits for retired participants and beneficiaries and the benefits considered to have been earned by all current participants if their service were terminated on that date).

28. With respect to its liabilities on a plan termination basis, the Fund was in a strongly funded position, as it had been for the past nine valuations, if future adjustments of pensions were not taken into account. The funded ratios on that basis, which varied according to the rate of interest assumed, ranged from 142 to 152 per cent, with 147 per cent being applicable for the regular valuation. This meant that the Fund would have considerably more assets than needed to pay the

benefits if no adjustments were made in pensions for changes in the cost of living. The funded position decreased considerably when account was taken of the current system of pension adjustments, including the cost of the two-track system (1.9 per cent of pensionable remuneration); the current valuation indicated funded ratios ranging from 90 to 101 per cent, with 95 per cent being applicable for the regular valuation. As shown in table 3, the funded ratios have improved substantially since 1988, both with and without assuming future adjustments of pensions for inflation.

Table 3
Funded ratios, 1988-2007

	If future pension payments are made (percentage):	
Valuation as at 31 December	*without pension adjustments*	*with pension adjustments*
1988	123	70
1990	131	77
1993	136	81
1995	132	81
1997	141	88
1999	180	113
2001	161	106
2003	145	95
2005	140	92
2007	147	95

Results of the valuation in dollar terms and other disclosure statements

29. In its resolutions 47/203 and 48/225, the General Assembly had requested the Board to consider the form in which it presented the valuation results, taking into account, inter alia, the observations made by the Board of Auditors. The Auditors had requested the Board to include in its reports to the General Assembly disclosures and opinions as regards the valuation results, namely, presentations of: (a) the valuation results in dollar terms; (b) a statement of sufficiency under article 26 of the Regulations of the Fund; and (c) a statement by the Committee of Actuaries and the consulting actuary on the actuarial position of the Fund, to which the Board of Auditors could refer in their observations on the accounts of the Fund.

30. Accordingly, table 4 summarizes the valuation results as at 31 December 2007, both as a percentage of pensionable remuneration and in dollar terms, under the six combinations of economic and participant growth assumptions.

Table 4
Valuation results surplus/(deficit)

Economic assumptions	*As a percentage of pensionable remuneration*	*In dollar terms (millions)*
4.5/7.5/4 with 10-year 0.5 per cent participant growth (regular valuation)	0.49	1 322.9
4.5/7.0/4 with 10-year 0.5 per cent participant growth	(2.23)	(7 201.7)
4.5/8.0/4 with 10-year 0.5 per cent participant growth	3.12	7 238.1
4.5/7.5/4 with zero participant growth	0.39	999.9
4.5/7.5/4 with 10-year 1.0 per cent participant growth	0.59	1 659.0
4.5/7.5/4 with 10-year zero and 20-year (0.5) per cent participant growth	0.20	471.2

It should be noted that the regular valuation as at 31 December 2005 revealed a surplus of 1.29 per cent of pensionable remuneration.

31. Table 5 provides the projected liabilities and assets of the Fund in dollar terms, as reflected in the regular valuation results as at 31 December 2007 and 31 December 2005, respectively.

Table 5
(Millions in United States dollars)

	31 December 2007	*31 December 2005*
Liabilities		
Present value of benefits		
Payable to or on behalf of retired and deceased participants	21 895.1	17 088.9
Expected to become payable on behalf of active and inactive participants, including future new entrants	75 374.7	58 223.8
Total liabilities	**97 269.8**	**75 312.7**
Assets		
Actuarial asset value	35 620.4	27 878.3
Present value of future contributions	62 972.3	50 194.5
Total assets	**98 592.7**	**78 072.8**
Surplus (deficit)	**1 322.9**	**2 760.1**

32. As they have in the past, the consulting actuary and the Committee of Actuaries stressed that care must be taken when considering the dollar amounts of the valuation results. The liabilities shown in table 5 include those for individuals who have yet to join the Fund; similarly, the assets include the contributions for

future new participants. The surplus indicates only the future effect of continuing the current contribution rate under various actuarial assumptions as to future economic and demographic developments. The valuation results were highly dependent upon the actuarial assumptions used. As indicated in table 3 (para. 28 above), a deficit of 2.23 per cent of pensionable remuneration was indicated on the 4.5/7/4 valuation basis, that is, a real rate of return of 3 per cent. A surplus of 3.12 per cent of pensionable remuneration was indicated on the 4.5/8/4 valuation basis, that is, a real rate of return of 4 per cent. Both the consulting actuary and the Committee of Actuaries pointed out that the actuarial surplus, when expressed in dollar terms, should only be considered in relation to the magnitude of the liabilities and not in absolute terms. The surplus of $2,760.1 million under the regular valuation as at 31 December 2005 represented 3.7 per cent of the projected liabilities of the Fund. The surplus of $1,322.9 million under the current regular valuation represents 1.4 per cent of the Fund's projected liabilities.

Hypothetical projection models

33. Hypothetical models of the estimated progress of the Fund over the next 50 years were also prepared on the basis of the economic assumptions in the regular valuation, using the 10-year 0.5 per cent participant growth assumptions. The results were presented in both nominal and inflation-adjusted terms. The models showed that the Fund's assets at the end of the 50-year period would still be increasing, both in nominal and inflation-adjusted dollar terms. Additional models, in which the assumed nominal rate of return on investments ranged from 2 per cent to 5 per cent above the assumed 4 per cent rate of inflation, were also prepared. The models showed that the Fund balance continued to increase at the end of 50 years in nominal dollars in all cases, with balances ranging from $25 billion to $1.57 trillion.

View of the Committee of Actuaries

34. In its report to the Board, the Committee of Actuaries noted with satisfaction that the valuation was the sixth consecutive one that had resulted in a surplus. The five previous valuations, as at 31 December of 1997, 1999, 2001, 2003 and 2005, respectively, had resulted in surpluses of 0.36, 4.25, 2.92, 1.14 and 1.29 per cent of pensionable remuneration. The Committee noted further that the net decrease in the actuarial surplus revealed by the current valuation was primarily the result of losses attributable to adoption of the new 2007 mortality tables, the weakening of the United States dollar against key currencies and its effect on pensionable remuneration for many General Service staff and on pensions for certain retirees on the local track system, higher than expected cost-of-living adjustments and changes in the benefit provisions of the Fund. Those losses had been offset in part by gains attributable to investment experience as reflected in the actuarial value of assets as well as the larger than expected number of new participants.

35. The Committee noted that the funded ratios showed increases over those from the prior valuation, attributable in large part to the 27.8 per cent increase in the actuarial value of assets. The Committee also noted that, since the market value of assets as at 31 December 2007 was greater than the actuarial value of assets as at that date, all the funded ratios would be increased if they were determined on the basis of the market value of assets rather than the actuarial value. In fact, all the funded ratios would have been 100 per cent or greater, based on the market value of assets.

36. The Committee of Actuaries concluded that it should not be assumed that the positive elements that had contributed to the improved financial position of the Fund since 1988 would continue to be achieved to the same extent in the future and that caution should therefore be used in deciding how to manage the actuarial surplus of 0.49 per cent of pensionable remuneration. In particular, the Committee noted that the decrease in the value of the United States dollar against other key currencies in recent years might continue to affect the results of the next actuarial valuation.

37. The Committee noted that the valuation showed a satisfactory result, which underlined the stability achieved by the Fund during the turbulent financial environment of recent years. The Committee was of the view that, based on the decrease of the surplus during the period since the 2005 valuation, the current surplus was not sufficient to support any benefit improvements at that time. The Committee recalled its previous recommendation that it would be prudent to maintain an actuarial surplus of around 1 to 2 per cent of pensionable remuneration as a minimum safety margin to buffer the impact on the Fund's long-term solvency of financial markets and economic volatility, as well as the maturing of the Fund and changing demographic and other trends.

38. After considering all relevant data, the Committee agreed that the entire surplus should be retained. Furthermore, and as noted in paragraph 54 of its report to the Board, the Committee of Actuaries pointed out that the adoption of the changes in the commutation factors effective 1 January 2009, as a result of the new mortality tables, would have an estimated negative impact of 0.25 per cent of pensionable remuneration.

Statements on the valuation results

39. The statement of actuarial sufficiency prepared by the consulting actuary and approved by the Committee of Actuaries is reproduced in annex III to the present report. The statement indicates that:

> "The actuarial value of assets exceeds the actuarial value of all accrued benefit entitlements under the Fund, based on the Regulations of the Fund in effect on the valuation date. Accordingly, there is no requirement, as at 31 December 2007, for deficiency payments under article 26 of the Regulations of the Fund. The market value of assets as at 31 December 2007 is $41,906.4 million, or $6,286.0 million greater than the actuarial value of assets as at that date. Therefore, the surplus shown above would be larger based on a comparison with the market value of assets."

40. The statement of the actuarial position of the Fund, adopted by the Committee of Actuaries, is reproduced in annex IV. In that statement, the Committee of Actuaries indicated that it had:

> "reviewed the results of the actuarial valuation as at 31 December 2007, which had been carried out by the consulting actuary. Based on the results of the regular valuation and after consideration of further relevant indicators and calculations, the Committee of Actuaries and the consulting actuary were of the opinion that the present contribution rate of 23.7 per cent of pensionable remuneration was sufficient to meet the benefit requirements under the plan."

41. The Committee of Actuaries also informed the Board that it would continue to review the evolving experience of the Fund. It would submit recommendations to

the Board in 2008 on the assumptions to be used in the actuarial valuation of the Fund to be performed as at 31 December 2009.

Discussions in the Board

42. Clarifications were sought from the consulting actuary and from the rapporteur of the Committee of Actuaries on various aspects of the actuarial valuation results.

43. Several members of the Board indicated their satisfaction with the fact that this was the sixth consecutive valuation showing a surplus.

44. Overall the Board stressed the need for caution and prudence regarding any changes to the United Nations pension system, in particular in view of the reduced surplus revealed by the current actuarial valuation.

Conclusion

45. **The Board took note of the actuarial condition of the Fund, as reflected in the valuation as at 31 December 2007.**

B. Membership of the Committee of Actuaries

46. The Board noted that the three-year terms of three members of the Committee of Actuaries, J. Král (Eastern European States), T. Nakada (Asian States) and H. Pérez Montás (Latin American and the Caribbean States) would expire on 31 December 2008. In addition, the one-year terms of the two ad hoc members, K. Heubeck and C. L. Nathal, would also expire on 31 December 2008. They had all indicated their willingness to accept reappointment. The current membership of the Committee of Actuaries is set out in annex V.

47. In accordance with the arrangements approved by the Board, the Secretary/CEO, in a memorandum dated 17 December 2007, had invited the staff pension committees to offer comments and/or to submit names of suitable candidates who would be willing to serve on the Committee.

48. **The Board expressed its deep appreciation to the members of the Committee of Actuaries and decided to recommend to the Secretary-General that, in accordance with article 9 (a) of the Regulations of the Fund, Mr. Král, Mr. Nakada and Mr. Pérez Montás be reappointed for three-year terms on the Committee of Actuaries, for service from 1 January 2009 to 31 December 2011, and that Mr. Heubeck and Mr. Nathal be reappointed for one-year terms from 1 January 2009 to 31 December 2009.**

C. Changes in commutation, transfer value and other factors reflecting updated mortality tables

49. At its 2007 session, the Pension Board, based on the recommendations of the Committee of Actuaries, agreed to adopt new 2007 United Nations mortality tables and to strengthen the graded scale of forecast decreases in healthy pensioners' mortality rates, for purposes of the 31 December 2007 actuarial valuation of the Fund. The Committee also recommended, and the Board agreed, that the commutation, transfer value and other factors should be modified to reflect the new

mortality tables and, given administrative and other issues, the factors should be updated with effect from 1 January 2009.

50. The Board considered the subject again on the basis of a note prepared by the consulting actuary on the methodology and assumptions used to recalculate the various factors to reflect the new mortality tables.

Commutation factors

51. Participants may elect to receive their full retirement benefit paid in monthly amounts or to receive part of their benefit commuted into a lump sum and paid at separation with the remaining reduced retirement benefit paid in monthly amounts. The lump sum may not be greater than the larger of: (a) the actuarial equivalent of one third of the full retirement benefit; and (b) the participant's own contributions with compound interest.

52. The commutation factors are calculated based on a series of annuity value tables and the periods when the participant's contributory service was completed. Currently, there are seven annuity value tables, based on a unisex blending of specific United Nations mortality tables and on five separate interest rates.

53. Any changes in the mortality tables used to calculate the commutation factors are applied on a prospective basis, from the date such changes become effective. Therefore, in the case of current participants, the effects of changes to the mortality assumptions on the commuted lump sum amounts evolve gradually.

54. To incorporate the 2007 United Nations mortality tables into the commutation factors, a new annuity value table was constructed, to be applicable to contributory service after 31 December 2008. Assuming that the new annuity value table would be used for the next several years, the male and female scales of forecast mortality improvements were applied to the basic tabular rates of mortality through 2012. The resulting male and female mortality rates were then blended on a 50/50 per cent basis to form a unisex mortality table. Using the 6 per cent lump sum interest rate approved in 2000, the new annuity value table was then developed.

55. Updating the commutation factors to include the effect of the new mortality tables will increase the amount of the commuted benefit. Based on the data and assumptions used for the 31 December 2007 actuarial valuation, the estimated cost of updating the commutation factors to reflect the new mortality tables is 0.25 per cent of pensionable remuneration.

Transfer values

56. The UNJSPF has entered into outer-circle transfer agreements with a number of international organizations, with the aim of securing the transfer and continuity of pension rights. Outer-circle agreements require the use of special actuarial transfer value factors that are applied in calculating: (a) the transfer payment for transfers from the Fund; and (b) the years of contributory service granted for transfers into the Fund.

(a) Transfers out of the Fund

57. In the case of transfers out of the Fund, the transfer payment is determined as the larger of: (a) the withdrawal settlement under the Regulations of the Fund; or (b) the commuted value of the pension entitlement.

58. The commutation amounts are calculated based on factors calculated using the same assumptions and contributory service formula described above in the case of commutation factors. However, if the participant is only eligible for a deferred retirement benefit, the annuity values used to calculate the lump sum commutation amount reflect the present value of the participant's benefit payable commencing at their normal retirement age. For transfers out of the Fund, the participant is treated very similarly to a terminating participant or a retiree, with the exception that the transfer payment can reflect the entire pension amount.

59. Updating the transfers out of the Fund factors to reflect the new mortality tables will, generally, increase the transfer payment.

(b) Transfers into the Fund

60. In the case of transfers into the Fund, the actuarial factors are used to determine the years of UNJSPF service purchased by a transfer payment. The methodology used to derive the actuarial factors for transfers into the Fund are designed to leave the Fund in a neutral position as measured by using the regular actuarial valuation assumptions.

61. The Committee noted that updating the transfer into the Fund factors to reflect the new mortality assumptions will result in a smaller period of service relative to that calculated using the current factors by roughly 10 to 15 per cent.

Other factors

62. Administration of the Fund requires the use of other actuarial factors. These include the actuarial equivalent factors related to article 35 ter (Spouses married after separation) and joint and survivor annuity value factors. Assuming that the commutation factors are updated to reflect the new mortality tables, these other factors would also be updated.

63. **The Board agreed that the changes in commutation, transfer value and other factors should be implemented to reflect the new mortality tables, effective 1 January 2009. The Board also took note of the estimated costs of updating the commutation factors (0.25 per cent of pensionable remuneration), which would be reflected in the next actuarial valuation as at 31 December 2009.**

D. Monitoring of actuarial costs of modifications of the two-track feature of the pension adjustment system

64. In 1991 and 1994, the General Assembly, acting on the recommendation of the Board, had approved three changes in the pension adjustment system, which then entered into effect on 1 April 1992 and 1 July 1995: (a) the 1 April 1992 modification, which provided greater compensation for cost-of-living differences in deriving the initial local currency pension for participants in the Professional

category and above who submitted proof of residence in a high-cost country; (b) the application of the 1 April 1992 modification to the General Service and related categories as at 1 July 1995; and (c) the reduction of the "120 per cent cap" provision to 110 per cent, also with effect from 1 July 1995. In 2004, on the recommendation of the Board, the General Assembly approved a new provision under the two-track feature of the adjustment system, which provided for an adjustable minimum guarantee at 80 per cent of the United States dollar track amount. The Board and the General Assembly requested that the costs/savings related to these measures be monitored on the occasion of the actuarial valuations of the Fund.

1 April 1992 modification

65. Over the period from 1 April 1992 to 31 December 2007 there had been 755 retirement or early retirement benefits whose amounts had been affected by the 1 April 1992 modification. These were participants in the Professional category and above who had retired during that period and had provided proof of their residence in countries where the criteria for application of cost-of-living differential (COLD) factors to determine the initial local currency track pension had been met. A summary of the benefits actually paid in the 16 countries concerned, together with the amounts that would have been paid under the previous arrangements, was provided to the Board.

66. On the basis of those data, the eighth and latest assessment of the emerging cost of the April 1992 modification by the consulting actuary was 0.11 per cent of pensionable remuneration. This assessment was based on: (a) the methodology used in 1994, 1996, 1998, 2000, 2002, 2004 and 2006, which took into account the actual additional payments over the period reviewed, as well as changes in the geographical distribution of the recipients of benefits; and (b) the results of the actuarial valuation as at 31 December 2007. Table 6 indicates the evolution of the costs, by assessment period, of the 1992 modification of the pension adjustment system, as applicable to the Professional category and above.

Table 6
Costs of the 1992 modification of the pension adjustment system as applicable to the Professional category and above

Period assessed	*Cost as a percentage of pensionable remuneration*	*Number of benefits applicable*	*Increase in number of benefits affected over the previous assessment*
Initial estimated cost made in 1991	0.30	—	—
1 April 1992-31 March 1994	0.26	143	—
1 April 1992-31 March 1996	0.33	390	247
1 April 1992-31 March 1998	0.32	552	162
1 April 1992-31 March 2000	0.26	604	52
1 April 1992-31 December 2001	0.24	614	10
1 April 1992-31 December 2003	0.14	627	13
1 April 1992-31 December 2005	0.12	692	65
1 April 1992-31 December 2007	0.11	755	63

Extension of the 1 April 1992 modification to participants in General Service and related categories separating on or after 1 July 1995

67. During the period from 1 July 1995 to 31 December 2007 there were 34 retirement benefits processed in respect of General Service category participants, which involved proof of residence in a country where the COLD factors applied under the revised Washington formula.

68. Given the consistently low number of benefits actually adjusted under this measure, it was not possible to make a meaningful assessment of the emerging cost of this modification in the pension adjustment system. It was noted that the actual experience was in line with the comments made by the Committee of Actuaries at the time the measure was initially reviewed and approved.

Reduction of the 120 per cent cap provision to 110 per cent

69. As at 31 December 2007, there were 49,996 main benefits in award (excluding children's benefits), of which 34,552, or 69.1 per cent, related to retirees and beneficiaries with only a dollar pension entitlement and 15,444, or 30.9 per cent, related to retirees and beneficiaries who were on the two-track pension adjustment system (i.e. had two pension records, both a dollar track amount and a local currency track amount); the number of cases involving the application of the cap provision was 154 out of 15,444 (1.0 per cent), as compared with 943 out of 14,335 (6.6 per cent) as at December 2005.

70. The breakdown for retirees and beneficiaries separating from service since the date of introduction of the 110 per cent cap provision, that is, during the period from 1 July 1995 to 31 December 2007, was as follows: of the 23,379 main benefits established, 17,148, or 73.3 per cent, involved retirees and beneficiaries with only a dollar pension entitlement and 6,231, or 26.7 per cent, related to retirees and beneficiaries who were on the two-track adjustment system. With respect to the 6,231 two-track cases, 27 retirees and beneficiaries were actually paid, during the last quarter of 2007, the amount corresponding to 110 per cent of the local track amount for that quarter. Of the remaining 6,204 cases, none were receiving the minimum guaranteed dollar amount; 6,074 were being paid the local track amount (i.e. local currency track was higher than the dollar track); 124 were being paid the United States dollar track amount (which was higher than the local currency amount by less than the 110 per cent capped amount); and 6 were paid at a frozen amount pending receipt of proof of residence in a new country.

71. As part of the current actuarial valuation exercise, the consulting actuary estimated the emerging long-term costs of the two-track system as a whole, based on data since 1990, to be 2.06 per cent of pensionable remuneration; the actuarial assumption used in the latest valuation was 1.90 per cent of pensionable remuneration. In order to make an assessment of the savings arising out of the new 110 per cent cap provision of the two-track system, the consulting actuary undertook to compare (a) the emerging long-term costs of the two-track system, assuming the reduction in the cap from 120 per cent to 110 per cent as from 1 July 1995 did not apply, based on an evaluation and projection of the data since 1990, which was 2.22 per cent of pensionable remuneration, with (b) the emerging long-term costs of the two-track system as a whole, also based on the data since 1990, which was 2.06 per cent of pensionable remuneration.

72. On that basis and as a very preliminary estimate, the emerging long-term savings due to the introduction of the 110 per cent cap provision were estimated to be in the order of 0.16 per cent of pensionable remuneration; at the time the change in the cap was proposed, the actuarial savings had been estimated at 0.20 per cent of pensionable remuneration. Since the current assessment of the emerging savings was based on limited data, the Committee of Actuaries agreed that analysis of more years of experience would be required, before any definitive estimate of the savings could be made.

Adjustable minimum guarantee at 80 per cent of the United States dollar track amount

73. The Board noted the information provided with respect to the introduction of the adjustable minimum guarantee at 80 per cent of the United States dollar track amount, which took effect on 1 April 2005. The number of actual cases affected during the period under review was significantly less than the 420 cases that had been assumed for the costing exercise in 2004. It was recognized, however, that the number of cases in future periods, and the amounts of the resulting increases in such pensions, would vary depending on the specific circumstances of the entire period under consideration. As part of its first review of the new measure, the Fund had examined the actual implications of the measure since its introduction on 1 April 2005 and found that for the nine-month period that year the average number of cases eligible for the adjustable minimum guarantee was only 196. During 2006, the average number of cases eligible for the adjustable minimum guarantee was 244; for 2007, the average number of cases eligible was 128.

74. Based on the minimal actuarial implications and on the very limited data available, the Committee of Actuaries agreed that any further action or adjustment with respect to the new measure would not appear warranted at that time. The Committee suggested, however, that the implications of the new provision should continue to be monitored and assessed in conjunction with future actuarial valuations.

75. With respect to the effect of the adjustable minimum guarantee on the utilization rate, it should be kept in mind that the recent increase in the number of two-track cases (December 2007/December 2003) was directly attributed to the relatively wide spread that had occurred over the last couple of years between the 36-month average rates of exchange and the quarterly rates of exchange primarily between the European currencies and the United States dollar. The 36-month average rate of exchange relating to the Swiss franc, for example, has been regularly higher compared with the corresponding quarterly rates since the later part of 2002. The same trend had been occurring throughout the euro zone. The increase in the utilization rates, under those circumstances, was very consistent with past experience and should continue to be expected with such trends.

Conclusions of the Board

76. **The Board took note of the assessments provided on the actual emerging costs/savings of the modifications of the two-track feature of the pension adjustment system, in particular with respect to the increasing costs of the provision. It decided that no changes needed to be made at that time, either as regards (a) the rate of contribution or (b) the current parameters of the revised**

Washington formula and of the cap provision. It also agreed, however, that consideration of the costs and/or savings of the modifications of the two-track system since 1992 should continue to be taken up in conjunction with the actuarial valuations and that any definitive trends should continue to be identified and reported to the Board. Moreover, as discussed in paragraphs 295-306 below, the Board requested that the secretariat monitor the emerging costs/savings of the modifications of the two-track feature of the pension adjustment system before the Board's fifty-sixth session, in 2009.

E. Cost estimates for provision to allow purchase of years of contributory service of part-time staff

77. This item was considered under agenda item 10 (a) (iv).

F. Cost estimates with respect to a reduction of the minimum period of contributory service required to qualify for a periodic benefit and with respect to an increase in the amount of the withdrawal settlement

78. At its 2007 session, the Pension Board considered a note submitted by the IAEA Staff Pension Committee requesting the actuarial costs of reducing the minimum period of contributory service required to qualify for a periodic pension benefit and for increasing the amount of benefit payable with respect to withdrawal settlements. The IAEA Committee noted that the Fund could either: (a) reduce the vesting period from five years to not more than three years of contributory service; or (b) increase the amount of the withdrawal settlement to take into consideration part of the organization's contributions into the Fund.

79. The Board considered the information presented by the IAEA Staff Pension Committee and recalled that during previous consideration of similar matters it had agreed to recommend certain measures that would serve to enhance the mobility of staff and the portability of pensions. The Board agreed to request the consulting actuary to provide updated actuarial cost estimates with respect to the measures presented by the IAEA Committee.

80. The Secretary/CEO also requested the consulting actuary to provide estimates of the actuarial costs of two additional measures that would enhance the amount of withdrawal settlements.

81. Currently the Regulations of the Fund provided that if a participant separates from service before accumulating five years of service, they would receive their own contributions (with interest). There was currently no other option available to the participant.

82. The Board considered the consulting actuary's cost estimates and noted that the cost of providing for vesting after three years of service depended on the percentage of participants who would elect a deferred benefit. Because statistically credible data on such elections would not be available for several years after the Fund's Regulations were amended to provide for vesting after three years, the requested cost estimates were based on a cost range approach. The cost estimates ranged from 0.04 per cent to 0.08 per cent of pensionable remuneration.

83. The Secretary/CEO recalled that, as noted in the Committee of Actuaries report, if the Fund were to provide for vesting after three years of service, there would be a substantial increase in the number of retirement entitlements with the associated benefit options, which would require a significant investment in human and technical resources.

84. The Board also considered the consulting actuary's estimates of the actuarial costs of the following measures that would enhance the amount of the withdrawal settlement:

(a) Accelerate the schedule for paying additional 10 per cent increments (without interest) for full withdrawal settlements to a maximum of 250 per cent of participants' own contributions after 15 years;

(b) Accelerate the schedule for paying additional 10 per cent increments (with interest at 5 per cent) for full withdrawal settlements to a maximum of 250 per cent of participants' own contributions after 15 years;

(c) Accelerate the schedule for paying additional increments for full withdrawal settlements to a maximum of 200 per cent of participants' own contributions after 5 years;

(d) Accelerate the schedule for paying additional increments for full withdrawal settlements to a maximum of 200 per cent of participants' own contributions after 10 years.

85. The Board noted that the estimated costs for the above respective measures was 0.06 per cent of pensionable remuneration (without crediting interest for full withdrawal settlements), 0.38 per cent of pensionable remuneration (for current and future participants), 0.44 per cent of pensionable remuneration (for current and future participants) and 0.26 per cent of pensionable remuneration (for current and future participants).

86. **After considering the note on this item, the Board decided to refer the issue to the Working Group that had been established to review the overall plan design of the Fund.**

Chapter V
Investments of the Fund

A. Management of the investments

87. The Representative of the Secretary-General for the Investments of the Fund introduced Suzanne Bishopric, the new Director of Investments Management Service, who had been appointed as at 1 December 2007. A former Treasurer of the United Nations, Ms. Bishopric has brought to the Investments Management Service her long experience in investment and financial management and strong managerial and leadership skills.

88. The Representative of the Secretary-General introduced the detailed report on the management of investments of the Fund, summarizing the economic and financial environment over the period from 1 April 2007 to 31 March 2008, as well as investment decisions taken and the investment performance of the Fund for the same period. The document also included various historical statistical data on investments of the Fund.

89. The Board reviewed the investments of the Fund on the basis of the report and accompanying statistical data presented by the Representative of the Secretary-General. The report provided information on the management of the investments of the Fund during the fiscal year ended 31 March 2008 and described how the objectives and the investment strategy were applied against the background of the conditions prevailing in the economic, political and financial environment. The report showed the investment returns achieved over various periods and reviewed the financial accounts and administration of the investments.

90. The Representative provided a detailed summary on the performance of the Fund and additional statistical data on the performance of the Fund's investments against the markets and its own benchmarks.

91. In his statement to the Board, the Representative indicated that the fiscal year ending 31 March 2008 had seen the most volatile equities, real estate and fixed-income markets so far in the history of the Fund. The ongoing global financial crisis was plagued with structural problems in the housing and housing finance area resulting in the so-called subprime crisis, surging crude oil and food prices, depreciation of the United States dollar, weakened economic growth (in particular in the United States) and global inflationary concerns.

92. Despite the turbulent market environment, the market value of the Fund's assets had increased to $40,588 million on 31 March 2008 from $37,610 million on 31 March 2007, an increase of $2,979 million, or 7.9 per cent. That return, after adjustment by the United States consumer price index, represented a real rate of return of 4.0 per cent, which exceeded the Fund's long-term objective of 3.5 per cent inflation-adjusted. The Representative of the Secretary-General noted that the Fund had had five good years of outperformance; however, he informed the Board that the Fund's value as at 9 July had gone down to $39.1 billion.

93. During the period ending 31 March 2008, the long-term strategic asset allocation remained the same as adopted in May 2005 — equities (60 per cent), bonds (31 per cent), real estate (6 per cent) and cash and short-term investments (3 per cent). The tactical asset allocation range was + or – 7 percentage points from

the Fund's strategic asset allocation for equities and bonds; and + or – 3 percentage points from the Fund's strategic asset allocation for real estate and short-term investments. In accordance with those guidelines, the respective portfolios were rebalanced during the periods following the regular meetings of the Investments Committee.

94. For the year ended 31 March 2008, the Fund had a return of 8.1 per cent, outperforming the 5.3 per cent return of the new 60/31 benchmark adopted in 2006 and 6.2 per cent return of the old 60/40 benchmark. Over the past seven years, the Fund had achieved an annualized return of 9.7 per cent, outperforming both the 8.3 per cent return of the new benchmark and the 8.0 per cent return of the old benchmark.

95. The Fund had had an overall more favourable risk return profile compared with the benchmark. The Fund's annual return of 7.9 per cent was higher than the benchmark's return of 6.5 per cent, while maintaining the same risk profile of 8.8 per cent as the policy benchmark. The Fund's well-diversified assets reduced the market risk and improved the overall risk and return profile.

96. Overall, the Fund had outperformed by 297 basis points, or around 3 per cent, which represented the excess return the portfolio had generated above the new 60/31 policy benchmark. The main performance contributors were the positive attribution effects from the underweight in the financials, security selection from developed and emerging market equities, fixed-income and short-term security selection, positive allocation effects from fixed-income and currency effects from investments based in euro and Japanese YEN. The negative performance contributors were the underperformance of Japanese small-cap external funds and the underperformance of bonds denominated in yen.

97. The Fund had continued to increase development-related investments during the biennium. Direct and indirect investments in developing countries had amounted to $3.9 billion on 31 March 2008, an increase of 61.2 per cent from $2.4 billion at cost on 31 March 2007. The increases were in the African region (42 per cent), Asia (95 per cent), Europe (10 per cent) and Latin America (14 per cent). Development-related investments accounted for approximately 12.6 per cent of the Fund's assets at book value.

98. The Representative of the Secretary-General informed the Board of the Investments Committee's concurrence with the recommendation of the Investments Management Service and the Townsend Group of a new long-term strategy for real estate in order to provide diversification and generate alpha to the Fund's overall investment programme. The main point of the proposal was the change from the current private market benchmark of the NCREIF Property Index (NPI) to the NCREIF Open End Diversified Core Equity Index (ODCE).

99. The Representative apprised the Board that the indexation of the North American equities portfolio had been deferred because of declining markets where the preservation of capital had been the Fund's primary focus. The Investments Management Service was currently reviewing the proportion of each portfolio that should be allocated to indexation strategies.

100. On a sad note, the Representative informed the Board of the passing away of the Service's Senior Investment Officer for North American equities, Lenore Ivers, on 30 May 2008. She had been the Officer-in-Charge of the Service for eight

months when a former director retired in 2003. Her passing left a critical vacuum in the Service, where she had managed a significant portion of the Fund's portfolio, approximately $10 billion, or 25 per cent. The members of the Board expressed their sincere condolences on the loss of a dear colleague, Lenore Ivers, Senior Investment Officer for North American equities.

101. The Board articulated its concern with regard to the currency effect on the Fund's investments and liabilities in view of the continued weakening of the United States dollar and if there were any steps being undertaken, besides the introduction of asset classes, to maintain a positive position in view of the volatile markets for the next few years. The following are summaries of the responses made by the Director of the Investments Management Service, the Representative of the Secretary-General and the members of the Investments Committee:

(a) The Investments Management Service had been looking closely at the foreign exchange impact not only on the investments of the Fund but also the interaction with its liabilities, and would be looking at scientific modelling capabilities for its analyses;

(b) With regard to the asset liability mix by currencies, the concept of using a basket of currencies had been the methodology used in the asset liability management study. At that point, the currency effect on both the Fund's assets and liabilities and whether the 3.5 per cent actuarial assumption and the benchmark being used would still be adequate in the continuing dollar weakness in the long run could be addressed in another asset liability study which the Board should consider doing earlier than the proposed two or four years as discussed at the 2007 session;

(c) The fact that the value of the Fund was measured in United States dollar terms was immaterial. What was material would be to compare the Fund with a benchmark that was set according to an asset liability study. One could value the Fund in the strongest currency or the weakest currency and yet compare it against a benchmark of the same currency. The results would be the same in relative terms;

(d) Diversification of the Fund's assets would be the traditional and appropriate strategy of a pension fund with a long-term perspective. Currently, approximately two thirds of the Fund's investments were in other currencies. The addition of selective alternative asset classes would also provide stability in future.

102. Although the deferment of the indexation of the North American equities was questioned by some members of the Board, the Director of the Investments Management Service explained that indexation was a standard industry practice and the investment officers were not without experience in the use of indexed investment instruments. She pointed out that the indexation of small portions of each portfolio would be a useful tactical approach in adjusting the asset allocation strategies recommended by the Investments Committee. The Representative of the Secretary-General indicated that he would continue to inform the Board of any further developments on the matter.

103. **The Board expressed its appreciation for the outperformance of the Fund's investments over the benchmark.** The Board requested that future reports on investment performance clearly indicate the impact of foreign exchange gains or losses.

B. Study regarding the introduction of alternative asset classes

104. At the request of the Pension Board, the Investment Management Service had hired Mercer Investment Consulting, Inc., to perform a consultancy on the addition of alternative asset classes. The study was completed by Mercer on 30 April and reviewed by the Investments Committee on 5 May 2008. The Investments Committee generally agreed with the findings of the report and recommended its presentation to the Pension Board.

105. The study recommended that the following new asset classes be added to the Fund's portfolio under the overall heading of alternative asset classes: private equity, hedge fund (fund of funds only) and hybrid assets (adding infrastructure, timberland and farmland to the existing real estate allocation). The study did not recommend the following asset classes be added: currency funds, commodities funds, multi-strategy hedge funds or single-strategy hedge funds. Mercer also recommended that the Fund's existing fixed-income allocation to global inflation-linked bonds (10 per cent) and emerging market debt (6 per cent) be maintained.

106. Mercer modelled the effect of adding a "moderate volatility" alternative asset portfolio drawn nearly equally from the existing equity and debt portfolios. They found that the addition of a moderate volatility portfolio enhanced returns and decreased the volatility of the portfolio, and that portfolio became their recommendation to the Investments Management Service.

107. Mercer made an overall allocation recommendation of 18 per cent to alternative asset classes, representing an increase of 12 per cent from the current real estate allocation of 6 per cent. That allocation would be taken 5 per cent from equities and 7 per cent from bonds. The overall allocation recommendations were based on the average of 18 of the Fund's peers in the public pension fund universe.

108. The Investments Management Service and the Investment Committee concurred with the Mercer report and recommended that private equity, hedge funds (fund of funds only), infrastructure, timber and farmland be added as investible asset classes for the Fund.

109. The Director of the Investments Management Service summarized the report on alternative asset classes produced by Mercer Consulting. Several questions were posed by various members of the Board:

(a) *Timing*. Several board members asked about the timing of the rollout of the alternative asset programme. The Director of the Investments Management Service answered that the rollout would be done judiciously over time;

(b) *Staffing*. Several board members asked about the staffing and resources required for investment in alternative asset classes. The Director of the Investments Management Service answered that the hybrid funds would be handled by the Service's existing Senior Investment Officer for real estate and that a Senior Investment Officer for private equity/hedge funds was in the current budget and that a candidate had already been identified;

(c) *Risk and volatility*. The issue of risk and volatility was brought up for specific areas of alternative investments such as timber and hedge funds and the Director of the Investments Management Service explained that the addition of alternative asset classes reduced volatility rather than increased it;

(d) *Use of limited partnerships and the unregulated nature of alternative investments*. Questions were raised on the lack of liquidity of limited partnership vehicles and the unregulated nature of alternative investments, but the Chairman and the Director of the Investments Management Service both answered that there were many other investments of that nature already in the Service's portfolio.

(e) *Implementation*. The method of implementation was discussed, as to whether the addition of alternative asset classes should wait until the next meeting of the Board before proceeding and whether further study was required. The Representative of the Secretary-General replied that the Investments Management Service would gradually increase investments in alternative investments, but did not want to wait another year to get started. Further resources for that area would be requested in the 2010-2011 budget.

110. Beth Ripston of Mercer Consulting answered questions concerning the characteristics of alternative asset types. She replied that: (a) hybrid assets had volatility characteristics between equity and bonds; (b) private equity had a low volatility and lower return; and (c) hedge funds (fund of funds) had higher volatility, but higher returns. She added that private equity and hedge funds were paired because of their opposite characteristics.

111. Several members of the Investments Committee discussed investments in alternative asset classes and spoke in favour of such investments.

112. **The Board took note of the report of the Secretary-General on the study regarding the introduction of alternative asset classes, of the accompanying study prepared by Mercer Investment Consulting, Inc., and the recommendations made therein, as well as of the views of and the endorsement by the Investments Committee. In the light of the foregoing, the Board made the following observations and suggestions to the Representative of the Secretary-General:**

(a) **Any possible undertakings by the Representative of the Secretary-General to invest any part of the Fund's portfolio into alternative asset classes should be done judiciously, incrementally, taking into account cost implications and upon regular consultation with the Investments Committee;**

(b) **In view of the Fund's fundamental investment criteria of safety, profitability, liquidity and convertibility, the Board considered that the alternative asset class allocations (including real estate) recommended by Mercer, of as much as 18 per cent of the Fund's overall investments portfolio, were overly ambitious, and the Board recommended that such proposed allocations for alternative investment classes should be reconsidered in view of the incremental approach suggested above;**

(c) **The Investment Management Service, with the advice of the Investments Committee, should develop specific proposals for the Board's consideration at its fifty-sixth session, in 2009, setting forth the resources that might be needed in order for the Service to have sufficient in-house expertise and outside investment advisory support to effectively implement and to manage a portfolio having alternative investment classes;**

(d) **The Representative of the Secretary-General should continue to advise the Board regularly about any efforts to invest any of the Fund's portfolio in alternative asset classes.**

C. Membership of the Investments Committee

113. The Board noted the intention of the Secretary-General to reappoint M. Arikawa (Japan), M. Dhar (India) and N. Kirdar (Iraq) as regular members for additional three-year terms; and I. Pictet (Switzerland) as an ad hoc member for an additional one-year term; and to appoint L. Mohohlo (Botswana) to replace K. Ngqula (South Africa) as a new regular member and S. Jiang (China) to replace A. M. Beschloss (Islamic Republic of Iran) as a new ad hoc member for a one-year term commencing 1 January 2009.

114. The Board was also informed that all the members of the Investments Committee had signed the declaration on conflict of interests and that the two proposed members had seen the form and agreed to sign as soon as the General Assembly approved their nominations.

115. A request was made by the representative of the participants' group for the Fund to uphold the commitment on gender equality and balance in the composition of the Investments Committee, where there were 2 women out of 11 members. The Director of the Investment Management Service assured the Board that the present nominations were in line with that objective.

116. The current membership of the Investments Committee is set out in annex VI.

D. Status of the Global Compact and the investments of the Fund

117. At the fifty-third session of the Pension Board, the Investment Management Service presented a report on the Principles for Responsible Investment, providing a detailed description of the principles and informing the Board of the Secretary-General's decision to include the UNJSPF as signatory to the Principles at their launching ceremony in April 2006. At that time, the Board had encouraged the Investment Management Service to adhere to the principles to the extent possible without compromising the four criteria of safety, liquidity, convertibility and profitability, which remain the Fund's paramount investment guidelines, and looked forward to a report on the progress made in the implementation.

118. The Investment Management Service informed the Board that it was in the process of establishing a policy on responsible investment (RI) and defining a plan to implement it, allowing the Fund to incorporate environmental, social and governance (ESG) criteria into its investment analysis and decision-making process and building on the commitments the Fund had made in becoming a signatory to the Principles for Responsible Investment and the Global Compact. Mercer Investment Consulting, Inc., had been engaged to assist in screening appropriate investment policies and strategies and to define a plan for their implementation. The consultant's report was also distributed.

119. ESG was defined as the term being used globally to describe the environmental, social and corporate governance issues that investors considered in

the context of corporate behaviour. RI referred to the process of integrating ESG factors into the investment decision-making process and ownership practices.

120. In the opinion of the Investment Management Service, it was essential to adopt an RI statement to be included in the existing policy document. A more extensive stand-alone RI policy could subsequently be considered, outlining the detailed steps involved with the Fund's chosen approach. The document would articulate RI objectives, specific areas of interest and an implementation plan, and could then be posted on the Fund's website. The policy should cover: (a) consistency with fiduciary duty, explaining how the Fund's long-term investment horizon was consistent with the long-term impact of RI and ESG issues, and why the consideration of ESG issues was consistent with achieving the desired investment returns; (b) statements in relation to engagement and active ownership; and (c) the extent to which ESG considerations would be taken into account in the selection, retention and realization of investments.

121. The following RI statement was proposed:

> "The United Nations Joint Staff Pension Fund (UNJSPF) is committed to the Principles for Responsible Investment and the Global Compact. This commitment reflects the belief that good corporate behaviour enhances long-term corporate financial performance. In executing this commitment, the UNJSPF will address environmental, social and governance considerations in the investment decision-making process, while maintaining an acceptable rate of return and risk profile, and satisfying the Fund's fiduciary duties of safety, profitability, liquidity and convertibility of its investments. Further, the Fund is committed to behaving as a responsible owner and is considering engaging in investors' collaborative initiatives that promote responsible corporate behaviour, where such efforts are believed to be in the best interest of the UNJSPF and its participants and beneficiaries."

122. A public statement and policy, which are also encouraged under the principles of responsible investment, should confirm to external and internal stakeholders that the Fund, in addition to being a signatory to the Principles for Responsible Investment, is making progress in implementation and may deflect external criticism of particular ESG-related investment decisions.

123. It was also considered helpful for the Fund's investment staff to have access to an ESG research tool, which would allow investment officers to compile material ESG information about a company to assist in the decision-making and approval process. The information sources from an external provider could provide information on companies' adherence to the Global Compact, strategies to address environmental and social risks, and business opportunities that the company recognized with regard to ESG. The Investment Management Service further explained that negative screens were employed for tobacco and armaments and would be maintained, as the Fund recognized that certain business practices were fundamentally unacceptable because they were contrary to the mission of member organizations of the Fund or were inconsistent with the beliefs and interests of the Fund and its participants. ESG-themed investments (e.g. external renewable energy, clean technology and water funds) were also deemed to offer opportunities to pursue ESG factors and improve diversification and perhaps the potential for returns. Owing to the issue- and sector-specific nature of such opportunities, the Investments

Management Service recommended them as a small allocation to be pursued in the development of an RI programme and with detailed due diligence.

124. The Investment Management Service informed the Board that the described recommendations involved specific resource requirements, in particular:

(a) Training: establishing tailored training programmes for Investment Management Service staff members on ESG considerations;

(b) Human resources: the Investments Management Service recommended that RI and ESG have dedicated resources, as part of the compliance function. At least two dedicated staff members should cover: (i) ESG implementation (monitoring the progress of ESG integration with internal and external managers, overseeing internal and external reporting requirements, such as those required for signatories to the Principles for Responsible Investment, monitoring and participating in collaborative engagement opportunities); and (ii) governance matters (centralizing items such as proxy voting, voting policy reviews, liaising with the Principles for Responsible Investment and the Global Compact, and participating in shareholder advocacy and collaborative engagement);

(c) Technology: proceeding to requests for proposal for external service providers of: (i) resources for proxy voting (looking at services that can offer the global coverage needed for the Fund as well as the assistance with customized policy development and implementation); and (ii) sources of ESG research;

(d) Consulting services: considering external providers for significant projects, for example, impact analysis for particular proposed themes or strategies, or a search for an external ESG-themed investment fund.

125. The Investments Management Service confirmed its belief that the steps described would effectively assist the Fund to adhere to its commitments to the Principles for Responsible Investment and the Global Compact, while reaffirming the importance of financial performance and fiduciary duty, and would reflect the best industry practice, and invited Board members to provide observations or suggestions on those matters.

126. The participants' group expressed interest in the work carried out on the issue by the consultants and the Investment Management Service, supported the conclusions of the report of the Representative of the Secretary-General on the resources needed and looked forward to evaluating at the next session of the Board estimates of the costs of implementation. Representatives of the participants added that those costs should be considered an investment in the reputation of the Fund as part of the United Nations system. The Board confirmed its agreement in principle to RI, noted that the Investment Management Service would need appropriate resources, ESG research and proxy voting services to effectively support the implementation of the principles and expressed interest in reviewing detailed implementation plans for the following year.

127. The Investment Management Service recommended proceeding with the definition of training programmes for staff members and considering ESG-themed investments opportunities, such as renewable energy and clean technology funds.

128. **The Pension Board welcomed the initiative for responsible investing and reconfirmed its support for the Principles subject to the four criteria for investment of the assets of the Fund, namely, safety, liquidity, convertibility and**

profitability. The Board requested the Investment Management Service to continue to implement the initiative within the existing staffing table and to make any request for additional resources within the context of the next budget.

E. Information on changes to the Fund's practice on administrative costs as they relate to the Investment Management Service budget and record-keeping

129. The Pension Board accepted the withdrawal of the proposal to change the existing practice of including external managers' investment fees in the administrative budget of the Fund, initially presented in a note by the Representative of the Secretary-General dated 14 June 2007. As a result, external managers' fees will continue to be included in the administrative budget and any changes due to volume will be reported in the revised budget estimates.

F. Investment policy

130. The Board reviewed the investment policy of the Fund on the basis of a report presented by the Director of the Investment Management Service. The report was prepared in accordance with the request made by the Pension Board at its fifty-fourth session after the Service had incorporated all the recommendations made by the Investment Committee. The Board welcomed the report.

131. The proposed investment policy reflects the Fund's strategic purpose of funding liabilities and details the primary investment goal, asset classes, performance objective, benchmarks, portfolio strategy, investment style, risk management and strategic asset allocation target.

132. The investment policies of the Fund, which take into account observations and requests made by the General Assembly and the Pension Board, as reviewed and considered by the Investments Committee, are safety, profitability, convertibility and liquidity.

133. Safety is achieved by ensuring adequate asset class, geographical, currency, sector and industry diversification, by carefully researching and documenting investment recommendations, and constantly reviewing the portfolio in order to take advantage of the unsynchronized economic cycles, market and currency movements. Asset classes are all subject to market risk; safety is a relative term.

134. Profitability requires that each investment at the time of purchase is expected to earn a positive total return, taking into account potential risk, in particular market risk, which is common to all securities of the same general class and commonly can be mitigated but not eliminated by diversification.

135. Convertibility is the ability to readily convert investments into liquid currencies. Convertibility facilitates payments in local currencies. The fiduciary responsibility to the Fund's participants mandates that, owing to the United States dollar-based market valuation of the Fund and the United States dollar-based appraisal of its actuarial soundness, all investments should be readily and fully convertible into United States dollars.

136. Liquidity is the ready marketability of the assets in recognized sound, stable and competitive exchanges or markets. Liquidity is required to ensure that the portfolio can be restructured in the shortest possible time in order to enhance total return and/or to minimize potential losses. It is noted that there may be attractive investment opportunities that require long-term commitments from the Fund. The Fund may invest in longer-term asset classes, such as real estate, with the concurrence of the Representative of the Secretary-General.

137. Asset classes in which the Investment Management Service currently has invested are short-term investments, equities, bonds and global real estate. The Director of the Service proposed to include alternative assets that are not publicly traded or that use non-traditional strategies. She also stressed that adding alternative asset classes could increase the return, reduce the standard deviation (risk) and increase the probability that the Fund would meet its long-term commitments to the beneficiaries. Asset classes deemed suitable in the Mercer report included private equity, hedge funds (fund of funds only) and hybrid assets (real estate, infrastructure, timberland and farmland). On the other hand, the asset classes deemed not suitable include currency funds, commodity funds, multistrategy hedge funds and single-strategy hedge funds. Further clarification as to the decision on alternative asset classes was provided in a document presented to the Board.

138. The Board noted that the UNJSPF was committed to the Principles for Responsible Investment and the Global Compact. That commitment reflected the belief that good corporate behaviour enhanced long-term corporate financial performance. In executing its commitment, the UNJSPF will address ESG considerations in the investment decision-making process, while maintaining an acceptable rate of return and risk profile, and satisfying the Fund's fiduciary duties of safety, profitability, liquidity and convertibility of its investments. Further clarification as to the decision on responsible investing was also provided in a document presented to the Board.

139. The strategic asset allocation is the optimal investment strategy that is intended to maximize the return for the Fund. The strategic asset allocation shall be reviewed from time to time to ensure that it maximizes the likelihood of achieving the performance objective of the Fund.

140. The asset allocation guidelines are as follows to execute a long-term investment program that efficiently and effectively allocates and manages the UNJSPF assets:

	Percentage
Equities	60 +/- 7
Bonds	31 +/- 7
Real estate	6 +/- 3
Cash	3 +/- 3

141. The Board raised concerns regarding indexation and passive management. The Director of the Investment Management Service advised that, given market volatility and the weakness in the financial sector, full indexation was not advisable for the North American equities market at that time.

142. In response to a question regarding the use of futures with regard to the specific asset classes, the Director answered that the use of futures would be for equity and bond investments rather than for commodities and currencies.

143. A Board member asked for clarification of the list of prohibited investments in annex B. The Chairman of the Pension Board also asked about the procedure for changing the investment policy. The Director mentioned that the earlier handout had not been updated. A revised annex B was distributed.

144. **The Board noted the policy and requested that it be updated on a regular basis and submitted to the Board for information each time material revisions were made.**

G. Glossary of terms of investment-related issues

145. The Board noted and welcomed the glossary of terms of investment-related issues.

H. Inclusion of contractual settlements in the custody agreement between the Fund and the Investment Management Service

146. A proposal was submitted to include contractual settlement provisions in the agreement with the Global Custodian of the Fund. It was explained that such contractual settlements were employed in trades of securities in most advanced securities markets, which typically took about three working days to settle from trade date, or when the trade was made, to the actual settlement date, or pay date. This meant that the Investment Management Service would make funds available for purchasing securities or have the security ready to be delivered for selling securities on the settlement date. However, in circumstances where a trade failed to settle owing to some delay in transferring funds, the Global Custodian would have to lend the funds to UNJSPF at the standard bank interest rate to make good on the trade on the contracted settlement date. In accordance with the Financial Regulations and Rules of the United Nations, the Office of Legal Affairs advised that the General Assembly should approve any proposed amendment to the agreement with the Global Custodian for such borrowing.

147. **The Board endorsed the proposal that the matter should be submitted to the General Assembly for its approval.**

Chapter VI
Administrative matters of the Fund

A. Financial statements for the biennium 2006-2007

148. The Board considered the financial statements of the Fund for the biennium ended 31 December 2007; it also considered data for the biennium ended 31 December 2005, for comparison. Annex VII includes three tables reflecting statistics on the operations of the Fund and annex VIII includes the audit opinion, the financial statements and the notes to the statements.

149. The Board noted that, during the biennium 2006-2007, the principal of the Fund increased from $23.6 billion to $30.6 billion. Over the same period, the market value of the Fund increased from $31.4 billion to $41.4 billion, reflecting an increase of 31.8 per cent. It also noted that there was an increase in total investment income from $4.4 billion to $7.2 billion, an increase of some 63.6 per cent over the prior biennium. The Board recognized the excellent performance reflected in the financial statements, which included an 88.1 per cent increase in profit from the sale of investments and a 48.6 per cent increase in total income, as compared with the 17.1 per cent increase in total expenditure. Also during the biennium ended 31 December 2007, the contribution income of the Fund had increased from $2.6 billion to $3.1 billion, or an increase of approximately 19.2 per cent. Over the same period, benefit payments made by the Fund increased from $2.7 billion in 2004-2005 to $3.2 billion for 2006-2007, representing an 18.5 per cent increase over the prior biennium, owing primarily to the increase in the number of beneficiaries.

150. The Board noted that the number of active participants had increased from 93,683 to 106,566, or by 13.8 per cent, over the course of the biennium. This followed an increase of 9.9 per cent during the previous biennium. Furthermore, the number of benefits in award increased from 55,140 to 58,084, or by 5.3 per cent, during the biennium. This followed an increase of 5.0 per cent during the previous biennium. It was noted that large increases in the number of participants were a continuing trend.

151. The total expenditure for the payment of benefits of $3.2 billion during the biennium 2006-2007 exceeded total contribution income of the same period by $52 million, whereas total expenditure of $3.3 billion for benefits, administrative costs and investment costs exceeded total contribution income by $153 million.

152. The Board made a number of comments and requests for further information relating to details of the financial statements following the presentation of the report of the Board of Auditors. These are included in the report of the fifty-fifth session of the Board under the report of the Board of Auditors (see annex IX).

153. The Board noted that the Board of Auditors expected to present an unqualified opinion and on that basis approved the financial statements of the Fund.

B. Status report on the Emergency Fund

154. The Board considered a report on the disbursements made from the Emergency Fund for the period from 1 May 2007 to 30 April 2008.

155. The Board noted the number of cases for which a payment had been made (10) and the related total value of those payments for the period ($19,398).

156. The Board was informed that reporting the number of payments did not reflect the work effort involved, since between 50 and 80 requests were received in any given period.

157. However, as had been reported in previous status reports, a significant number of cases were deemed to be non-receivable as they related to requests for financial assistance for items such as loans, assistance to meet daily living expenses, funds to buy an apartment or to undertake housing renovation.

158. The continuing delays that the administration of the Fund continued to experience in receiving all relevant documentation for cases was reported to the Board.

159. With regard to efforts to improve the take-up rate, the Board commended the recent publication of an information booklet relating to the Emergency Fund (in English, French and Spanish). The Board was informed that the booklet was also available on the Fund's website. It was hoped that the information provided would help improve take-up rates, although the Board noted that it was too soon to see the impact in the figures currently being reported, since the booklet was published only in April/May 2008.

160. The Board reiterated that if the Emergency Fund was to be used for the avowed purpose of meeting emergency situations, the secretariat should be encouraged to reduce the time taken to process requests.

161. The Board took note of the information provided in the status report on the Emergency Fund.

C. Enterprise Resource Planning project: results of the study on the Integrated Pension Administration System

162. The Secretary/CEO presented the note and the report on IPAS, formerly known as the ERP project, commenting that it would probably be the most important operational and technological undertaking of the Pension Fund over the next 20 years.

163. The Secretary/CEO recalled that the Pension Board at its fifty-third session, in 2006, had approved the funding for a study that would dimension the time, costs and other requirements necessary to satisfy the goals of the IPAS deployment, including the building of an integrated information solution that would support the Fund, its staff, member organizations, the participants and retirees/beneficiaries and all stakeholders well into the future.

164. Based on the Board's approval, the Fund, through the Procurement Service of the Secretariat, had contracted PricewaterhouseCoopers to assess the current state of the Fund's processes and IT environment; map all current processes; develop a target operating model and the corresponding IT architecture in order to improve efficiency, efficacy and service quality and reduce risks; and develop a summary report in the format of a high-level business case.

165. The study, conducted over a three-month period commencing in July 2007, completed successfully all the above-mentioned deliverables and reports. Based on the work performed during the assessment of the Fund's operation and IT environments, the following conclusions were reached:

(a) The Fund's day-to-day processes were complex and to some extent fragmented, with numerous hand-offs;

(b) The main pension administration system resided on a legacy mainframe system and was based on COBOL programming, which required specialist IT staff to develop and maintain;

(c) There was currently no standard hardware or software environment in use within the Fund;

(d) The availability and use of management information within the Fund was limited;

(e) Not all processes were currently supported by procedural guidelines, although action was being taken to address this;

(f) The provision of data to the Fund by member organizations was a major challenge; it was noted that some efforts were already under way to improve the situation;

(g) There were a number of staff who had a lot of experience or knowledge, both in IT and operational areas, who were due to retire shortly.

166. In order to address the above issues, the project team had re-engineered the existing day-to-day processes so they were more consistent and standard where possible, were better supported by technology and increased the ability of work to pass through the operation with little, if any, manual intervention (i.e. increase the level of straight-through processing) and reduced the number of hand-offs. Additionally, the new operating model would also:

(a) Integrate and standardize processes (to reduce exceptions to a minimum and to ensure equal treatment in the processing of cases);

(b) Introduce one common central database throughout the Fund, based around the concept of individual records for contributions and entitlements (to reduce the number of internal interfaces, currently at 48);

(c) Route the work more efficiently (by more direct, comprehensive and intuitive workflows);

(d) Produce more meaningful management information, enabling better decision-making and strategic planning and enhancing member experience through improved service standards;

(e) Improve the internal control environment by proactively "invoicing" contribution amounts rather than reactively "receiving" them and then reconciling them;

(f) Standardize the hardware and software platform;

(g) Strengthen business continuity and disaster recovery capabilities by greater standardization and by installing comprehensive hot site capabilities in the Geneva Office.

167. The Secretary/CEO presented to the Pension Board the six options considered for the implementation of the project and recommended the approval of option 5, which considered the adoption of a new operational process-driven paradigm, optimization of working practices, modernization of the IT platform and introduction (where required) of new systems. The CEO also recommended the approval of the corresponding programme of change outlined in the high-level business case and informed the Board that if the project plan was approved and the required resources were authorized, the project would take 2.7 years (704 working days) from approval to completion.

168. The Pension Board also had the opportunity to hear the presentation and comments on the topic from Peter Sparshott, lead consultant on the project from PricewaterhouseCoopers, who commented that although there are no "burning platforms" in the Fund, the core pension administration system was ageing and the Fund's processes were complex and fragmented, and implementing the project as described by the Secretary/CEO would have significant benefits to the Fund and would minimize medium-term operational and technological risks.

169. **The Board took note with appreciation of the study performed by the Fund and, after discussion with the Secretary/CEO and the consultant, approved the project plan and implementation approach recommended and requested that the Secretary/CEO present, in the context of the budget presentation for 2010-2011, a comprehensive proposal on the topic, including detailed costs that relate to the following: (a) hardware; (b) software; (c) contractual services, including costs of systems integrators and other external consultants; and (d) other costs required for the project.**

D. Overall review of the Fund's staffing and organizational structure: medium-term human resource plan

170. The Board recalled that the General Assembly had concurred with the request it had made that the CEO of the Fund and the Representative of the Secretary-General for Investments of the Fund undertake an overall review of the staffing and organizational structure in their respective areas, including drawing on relevant industry benchmarks and best practice, and report the results of the review to the Board at its fifty-fifth session, in 2008.

Investment Management Service

171. The Director of the Investment Management Service and the consultant from McLagan Partners presented the results of the study on the organizational structure and compensation programme of the Service, as requested by the Pension Board at its fifty-fourth session.

172. The study had recommended that the Investment Management Service:

(a) Review the use of non-discretionary advisers for research and generation of investment ideas as the model was no longer standard industry practice and had potential for conflicts of interest;

(b) Consider establishing its own trading function;

(c) Consider further staff increases by hiring additional research staff and creating a trading function, and ensure that all investment areas had sufficient numbers of staff;

(d) Consider developing an internal hierarchy that was more in line with industry practice;

(e) Reconsider its promotion policies, in particular the practice of not allowing competent General Service staff to be promoted to Professional posts;

(f) The resources for the enhancement of the IT systems and technology platform should be made available. The Fund should ensure that adequate dedicated technology resources are employed to manage and build out and delivery of a complex front-office technology model;

(g) Add resources as newer functions, such as risk management, compliance and legal services, evolved and might require additional management and oversight support;

(h) Create a senior position that would be responsible for overseeing the entire investment support operation;

(i) As a first step towards improving the total cash pay, the Service should target pay levels to market normals in order to be able to retain the current investment officers and recruit experienced and competent staff for new positions and to replace staff who were retiring or resigning. An initial step would be to review the job classifications to ensure that responsibilities were fully reflected;

(j) The second step to approaching market total compensation rates of the select public sector peer group would be to introduce an incentive pay plan for Professional staff.

173. In the light of the study, the Board has been asked to consider the establishment of an incentive pay system as an exception to the United Nations common system of salaries and benefits. The Representative of the Secretary-General would also be requesting funding for additional investment and support posts as part of the next biennium budget request to remedy the deficiencies highlighted in the McLagan study.

174. The main comment from the Board on the organizational structure was an appreciation that a long-term view was presented that had not been presented to the Board before. Most other comments from the Board focused exclusively on the compensation programme section of the McLagan report. Questions covered the following areas:

(a) *Special benefits working for the United Nations*. Several members asked the consultant if the special benefits of the United Nations, such as subsidized education and shorter hours, had been taken into account in the study. The consultant clarified that an analysis of benefits was not part of the terms of reference of the study and replied that all public pension funds had similar (though not the same) benefits that would be, however, difficult to quantify and compare. He also added that "buy-side" investment organizations such as the United Nations worked shorter hours than "sell-side" firms;

(b) *First bonus programme for the United Nations*. Other questions involved the difficulty of establishing an incentive compensation system at the United

Nations, as the creation of one here could create similar requests elsewhere. The Director of the Investment Management Service said this was a valid concern, but should not preclude review of the issue, as similar organizations had mostly done so and implemented similar programmes. In general, Board members were sceptical that such a programme could be approved at the United Nations, but were open to such a programme if it were feasible;

(c) *Moving staff to other locations*. The issue of moving some staff to off-site locations was raised as a money-saving method, including traders and back-office personnel. The Director of the Investment Management Service indicated that there was no past experience in posting personnel to off-site locations and no indication that doing so would decrease expenses or aid in recruitment;

(d) *Pattern of growth*. When questioned about the rationale in the addition of posts to the Investment Management Service, the consultant stated that there were four themes: (a) evening out the staffing of the existing investment teams; (b) adding additional investment analysts to increase internal research capability; (c) adding additional IT support staff; and (d) adding a trading function.

Pension Fund secretariat

175. The Secretary/CEO presented the note and the report on the overall review conducted on the staffing and organizational structure of the Fund's secretariat. The secretariat had retained two professional consultants with a combination of expertise and experience in the public pension sector and in job classification in the context of the United Nations common system of salaries and allowances, respectively. The review considered the following terms of reference:

(a) Assist the Fund in responding to the Board's request to develop a more strategic approach to the human resource requirements of the Fund;

(b) Provide a strategic, objective and independent review of the Fund's functions and structure within the context of relevant pension fund sector benchmarks and best practices;

(c) Identify and recommend alternative structures and staffing needed to support current and future organizational requirements.

176. The review was conducted by the consultants during April and May 2008. As mandated, they approached their review from a strategic rather than an operational perspective.

177. The review concluded that the Fund was a unique, complex, large and important organization and that it was adequately funded, well run and possessed all of the strategic documents indicative of strong strategic thinking. The review recommended the creation of eight posts (six at the Professional level and two at the General Service level) and the reclassification of four posts. The review also made a series of recommendations that are summarized in table 7 and are designed to improve the Fund's overall organizational efficiency and effectiveness.

Table 7
Summary of recommendations

Description
1. Perform regular benchmarking exercises
2. Establish and utilize a more meaningful performance management framework.
3. Establish a high-level technical evaluation and risk management team.
4. Establish industry-based performance metrics.
5. Reduce Integrated Pension Administration System (IPAS) implementation risks.
6. Staff the IPAS project team adequately.
7. Create a separate project management position to manage IPAS and all related new projects.
8. Move the Information Security Officer position to a staff function.
9. Enhance the role of policy and analysis.
10. Transform the role of the Geneva Office to a satellite rather than a parallel operation.
11. Segregate financial services as a new division reporting to the CEO and consider the corresponding reclassifications.
12. Review the existing memorandum of understanding with the United Nations Secretariat.

178. After considering the presentation of the Secretary/CEO, the Board also had an opportunity to hear the presentation and comments of William Leighty, one of the two consultants who had performed the review.

179. At the conclusion of its overall review of the Fund's staffing and organizational structure, the Board agreed as follows:

The United Nations Joint Staff Pension Board,

Having considered **the note of the Representative of the Secretary-General for the Investments of the United Nations Joint Staff Pension Fund on the overall review of the staffing and organizational structure of the Investment Management Service, as well as the note of the Secretary/Chief Executive Officer on the staffing and organizational structure of the secretariat of the Fund,**

1. ***Requests*** **the Representative of the Secretary-General for the Investments of the United Nations Joint Staff Pension Fund to further elaborate, with the advice of the Investments Committee, on the functional model of the Investment Management Service that it might suggest to the Board, including review of the scope of activities and the responsibilities of the internal investment managers, external advisers and asset**

managers, bearing in mind the need to ensure that research, generation of investment ideas, trading and portfolio management are optimized and available on a cost-effective and risk-contained basis, and to present any financial implications that may arise in the context of the budget proposals for the biennium 2010-2011;

2. *Also requests* the Representative of the Secretary-General, in elaborating on the functional model, to take into account the ability to retain and recruit qualified and experienced investment officers within the remuneration parameters of the United Nations common system;

3. *Underlines* that the Chief Executive Officer should present, in the context of the budget presentation for the biennium 2010-2011, fully justified and comprehensive proposals on issues discussed by the Board under the agenda item that may require additional resources and that relate, inter alia, to the following: (a) best practice in a public sector defined-benefit fund; (b) possible organizational changes in the structure of the Fund; and (c) performance management;

4. *Notes* that an accountability statement on the activities of the Fund has been prepared, and requests that it be expanded to include all other activities of the Fund such as investment of its assets.

E. Revised budget estimates for the biennium 2008-2009

180. The Board reviewed the requested revision to the UNJSPF budget for the biennium 2008-2009, which reflects an increase of $2,783,700, representing 1.8 per cent of the budget, compared with the approved appropriation of $150,995,100.

181. The Board took note of the additional resource requirements for administration ($484,100, or 0.6 per cent), investment costs ($2,289,600, or 3.2 per cent) and Board expenses ($10,000, or 15.9 per cent). The Board noted that the total revised administrative expenses would amount to $153,778,800.

Posts

182. The Board noted that no additional resources had been requested for posts and overtime owing to the net effect of the recosting exercise in combination with adjustments for actual and projected vacancy factors.

183. The Board welcomed the significant progress in the recruitment of staff for the 25 new posts approved by the General Assembly for the biennium 2008-2009.

184. **The Board recommended that future budget revisions separate the data that reflect the resource growth, inflationary increases and adjustments.**

General temporary assistance

185. The Board noted the request in the amount of $579,700 made to cover the financial implications that would result from the approval of the recommendations of benefit provisions concerning the elimination of the remaining 0.5 per cent reduction in the first consumer price index adjustment due after retirement and the cost-of-living adjustments applicable for deferred retirement benefits as from age 50.

186. **The Board decided not to recommend those benefit provisions and consequently did not approve the corresponding implementation costs.**

Consultants

187. **The Board recommended that the amount of $85,000 be included in the revised budget estimates for the biennium 2008-2009 for the whole office review conducted by the Fund at the request of the Board and the General Assembly.**

Travel

188. The Board agreed with the conclusion of its Audit Committee that, given its status as a subcommittee of the Board, it should be given a status similar to the Investments Committee for purposes of travel arrangements. In that connection, additional costs in the amount of $43,600, resulting from a change in travel entitlements for members of the Audit Committee, would be absorbed within the existing budget approved for the biennium 2008-2009. The Board also noted the provision made to cover the financial implications resulting from the Secretary/CEO's proposal to establish a working group on plan design in order to examine and prioritize the proposals being advanced in a more integrated and comprehensive manner.

189. **The Board decided to recommend the establishment of a working group on plan design and recommended that the amount of $271,100 be included in the revised budget estimates for travel expenses for the biennium 2008-2009.**

Contractual services

190. The Board noted the higher renovation costs and the additional provision in the amount of $1,240,500, reflecting an increase from the estimated cost of $173 per square foot, as applied in the original budget, to $210 per square foot. The Board also noted the contingency reserve of 10 per cent needed because of the non-standard layout of the floor plan requested by the Investment Management Service related to its move to the twentieth floor.

191. The Board further noted the request in the amount of $690,000 from the Investment Management Service to implement a secure messaging system between the Service and all banks and brokers worldwide through SWIFT, and recognized the benefits of implementing the project.

192. **The Board recommended that the amount of $1,930,500 be included in the revised budget estimates for the biennium 2008-2009 to cover additional cost of contractual services.**

Furniture and equipment

193. The Board noted the request in the amount of $183,000 made for purchase of equipment (e.g. desktops, desktop software, laptops, printers, scanners, RIM devices and peripherals) for 20 staff in the Investment Management Service and the provision in the amount of $380,000 made for the relocation of the Service to the twentieth floor, comprising switches, patch cables, racks for the intermediate distribution frame (IDF) closet, hardware and the installation of audio-visual equipment and cable televisions for the conference rooms and the Director's office.

194. **The Board recommended that the amount of $563,000 be included in the revised budget estimates for the 2008-2009 biennium to cover additional costs of equipment for new staff and for the relocation of the Investment Management Service to the twentieth floor of 1 Dag Hammarskjöld Plaza.**

Recommendations of the Board

195. **The Board recommended the appropriation of the amount of $75,899,200 for the revised administrative costs, the amount of $74,637,500 for the revised investment costs and the amount of $72,700 for Pension Board expenses. No changes were recommended for the audit costs ($2,589,700). The Board requested that a budget performance report with full variance analysis of the budget be presented at its next session.**

196. **The Board recommended revising the UNJSPF budget for the biennium 2008-2009 as summarized in table 8 (and broken down further in annex XVI). The total budget would increase by $2,204,000 to $153,199,100, representing a net increase of 1.5 per cent of the originally approved appropriation. Of that amount, $134,351,100 is chargeable to the principal of the Fund, $18,848,000 being the share borne by the United Nations under the cost-sharing arrangement.**

Table 8
Recommended changes to the budget for the biennium 2008-2009
(United States dollars)

Increases:	
Consultants	85 000
Travel	271 100
Contractual services	1 930 500
Furniture and equipment	563 000
Board expenses	10 000
Subtotal, recommended budget increase	**2 859 600**
Minus	
Revised downward estimate for the rental of premises	(655 600)
Total, recommended budget increase	**2 204 000**

197. **The Board took note of a reduction in the amount of $150,600 appropriated to the United Nations under the cost-sharing arrangements.**

F. Business continuity plan and disaster recovery procedures

198. The Secretary/CEO presented to the Board a status report on the business continuity (BC) plan and disaster recovery (DR) procedures of the Fund.

199. The Secretary/CEO recalled that, in 2007, the Fund had established a Fund-wide BC/DR working group. The Secretary/CEO informed the Board that the working group was meeting on a quarterly basis to coordinate the tasks for developing Fund-wide procedures and to continually update, maintain and test them.

200. The Secretary/CEO described the different scenarios included in the BC plan and informed the Board that the Fund's current plan defined a major (catastrophic) event as a contingency that would close down the New York Office for a period of six weeks. In that case, the Fund would pay remotely, from the Geneva Office, the regular benefit payroll, which covered nearly 95 per cent of the cases, using the previous month's data or the current month payroll if already available and "posted" in the system. During the first quarter of 2008, the Fund tested its BC payment procedures (using the last month's payroll) from the Geneva Office operating the New York-based IT infrastructure remotely. An additional test, using the IT infrastructure from Geneva, would be conducted during the third quarter of 2008.

201. The disaster recovery plan envisaged the creation of a hot site where all pertinent records and systems would be replicated seamlessly; that proposition was supported under the IPAS planning study and the whole office review, which had been presented to the Board at its current session.

202. In order to improve communication with the staff during contingencies or emergency situations, at the proposal of the BC/DR working group, in early 2008 the Fund had contracted the use of an automated notification service through the International Computing Centre.

203. In order to inform the staff about the emergency notification system and its operation, the Fund conducted a town-hall meeting on the subject with all New York staff attending, at the Fund secretariat offices. The Executive Office of the Fund developed and communicated to all staff the operational procedures concerning the use of the system.

204. The Secretary/CEO informed the Board that another important initiative concerning BC/DR was the Fund's plan to retain a qualified consultant in 2009 to conduct a business impact analysis. The Board would be informed of the details and results of the undertaking, as well as of the overall undertaking regarding BC/DR.

205. **The Board noted with appreciation the information provided on business continuity and disaster recovery procedures and requested the Secretary/CEO to present to it at its fifty-sixth session, in 2009, the results of the business impact analysis study to be performed in 2009. The Board also requested the Secretary/CEO to present the results, including any cost implications, to the Board in the context of the conclusions of that study.**

G. Third management charter (2008-2011)

206. The Secretary/CEO introduced the Fund's third management charter, which had been prepared with the aim of setting a framework for future action and to provide the basis for a specific and enhanced relationship between the management of the UNJSPF and the Pension Board in conformity with the Fund's governance mechanisms. It included proposed goals, objectives and related action plans for the remainder of 2008 through 2011. The Secretary/CEO noted that, in the formulation of the proposals, the underlying consideration had been to continued progress in actions aimed at contributing to the satisfaction of the Fund's clients. Being truly customer-oriented requires a firm commitment to quality-controlled services, easily accessible information, quick and reliable responses and complete transparency vis-à-vis the Fund's participants, its retirees and their beneficiaries. All those objectives

were addressed in detailed action plans for which staff and management were making commitments to ensure their full implementation.

207. The management charter recalled the Fund's mission statement:

> "Under the authority of the Pension Board, the Fund is entrusted to provide retirement, death, disability and other benefits and related services to its participants, retirees and beneficiaries. To meet its long-term commitments, the Fund must ensure an adequate level of investment return on its assets while mindful of the approved risk-tolerance philosophy and the requirements posed by its liabilities. It must also ensure that all its activities reflect the best conditions of security, accountability, social responsibility and sustainable development while operating in full compliance with the highest standards of quality, efficiency, competence and integrity."

208. In the charter, the Secretary/CEO highlighted the major challenges that the Fund would face in carrying out its mission, such as the growing complexity of the Fund's operations; the growing interdependency of assets and liabilities; the ageing of information systems and growing demand for services; quality service and high operational standards; and social and environmental responsibility.

209. The charter presented specific strategies that were intended to address the challenges through detailed action plans. Implementation of those strategies and related action plans would be carried out either through working groups and steering committees responsible for coordinating and harmonizing Fund-wide initiatives or by each secretariat or Investment Management Service section.

210. It was noted, however, that some of the proposed strategies and actions had budgetary implications or implied changes in the organization of the Fund, as recommended in the whole office review; full implementation of the related action plans would be on the condition that the required resources were made available and/or required decisions were taken.

Conclusion and recommendation

211. **The Board thanked the Secretary/CEO for his comprehensive report. It noted the complexities of the issues facing the Fund and welcomed the strategic approach of the document outlining objectives and strategies. It also noted the consistency of the concepts expressed throughout the reports and studies presented to the Board, including the whole office review, the study on the design and implementation of an ERP/IPAS and the management charter.**

212. **During the discussion, the Board recommended that the Secretary/CEO adopt a practice for strategic planning and performance, including reporting programme objectives, expected accomplishments and measurable indicators of achievement, in line with the practice of the member organizations as this would enhance the management of the Fund.**

213. **The Board also requested the Secretary/CEO to include such a result-based budgeting approach in the budget proposal for the biennium 2010-2011.**

214. **The Board welcomed the third management charter and its focus on a more strategic approach to performance issues. The Board took note of the charter and requested the Secretariat to continue to improve its ability to report to the Board using a result-based management approach, including**

strategic objectives, results, key performance indicators and programme evaluation techniques.

H. Consolidation of the information technology services of the secretariat and the Investment Management Service

215. In 2007, the Board and the General Assembly approved the IT consolidation project, including its scope, and then allocated budget and human resources, presented jointly by the Fund's CEO and the Representative of the Secretary-General. The services to be provided were to be limited initially to the IT infrastructures of both system environments, excluding software development, specialized application support and other non-infrastructure-related processes. The mandate, therefore, called for the Investment Management Service to remain responsible for all investment-related software, while the Information Management Systems Service would be responsible for supporting the Fund-wide IT infrastructure.

216. The Board was informed that the Investment Management Service and the Fund secretariat's Information Management Systems Service had jointly prepared a service-level agreement to frame the related accountabilities and a memorandum of understanding providing the associated governance structure.

217. The Board was also informed that the Investment Management Service had a number of initiatives outside the scope of the project, such as the trade management, operations, reconciliation, analysis and SWIFT systems. The service-level agreement would, therefore, be updated to include additional services related to the new projects and would provide the details of the new consolidated service.

Discussion in the Board

218. The Board welcomed the report on the consolidation of IT services and noted with satisfaction that there were management efficiencies to be gained. The Board also welcomed both the service-level agreement and memorandum of understanding as mechanisms that should help improve the operations of and IT support to the Investment Management Service.

219. During the discussion, the Investment Management Service confirmed its agreement with the IT consolidation project, but stated that it must also give priority to projects responding to urgent needs such as SWIFT and trade management systems, and that those projects would be implemented in collaboration with the Information Management Systems Service, ensuring the consolidation of the related infrastructure.

220. The members of the Board recalled that IT consolidation had already been approved together with budgetary resources and should be implemented without further delay. They stressed the importance of collaboration and finding synergies between the Pension Fund secretariat and the Investment Management Service.

221. The Chairman, in his capacity as representative of the Representative of the Secretary-General on the working group tasked with reviewing the high-level memorandum of understanding between the Fund secretariat and the Investment Management Service, informed the Board that the IT consolidation was one of the items that were being addressed and in that context would make this a priority.

222. **The Board requested a further report on the consolidation of the IT infrastructure at its fifty-sixth session, in 2009.**

I. Contractual arrangements with the consulting actuary

223. The Board considered a note on contractual arrangements with the consulting actuary presented by the Secretary/CEO. It was recalled that article 10 of the UNJSPF Regulations states a consulting actuary to the Board shall be appointed by the Secretary-General upon the recommendation of the Board for the purpose of providing actuarial services to the Fund.

224. As noted by the internal auditors for UNJSPF (the Office of Internal Oversight Services (OIOS)) in a review completed in October 2002:

> "The contractual relationship between the Fund and the consulting actuary (the parties) is not a traditional contractor-client arrangement in view of the fact that the consulting actuary has been informally engaged since the Fund's inception in 1948. The parties have had a long-standing relationship that can be described as a quasi-partnership, since the consulting actuary works closely with the Fund to address its actuarial needs and the Fund relies significantly on the consulting actuary's services."

225. It was also recalled that in recent years the Fund had made several significant changes to its arrangements with the consulting actuary. Following the prudent advice of the Board of Auditors to formalize its relationship with the consulting actuary, the Fund had entered into a two-year renewable contract, effective 1 January 2002. Prior to the contract, the nature and extent of the relationship between the parties had been based on a common understanding.

226. Then, in 2004, the Fund's management advised the Committee of Actuaries of its intention to develop criteria to evaluate, on an ongoing basis, the work of the consulting actuary. In accordance with terms of reference approved by the Pension Board, the Committee of Actuaries carried out in 2004 its first annual evaluation of the consulting actuary's performance. In 2005, 2006, 2007 and 2008, the Committee of Actuaries carried out similar comprehensive evaluations of the consulting actuary's performance, concluding with very positive findings on each occasion. In 2006, in addition to the favourable overall evaluation, the Committee also noted that the relationship between the Fund and its consulting actuary had to be long-term in nature. In its evaluation in 2007, the Committee of Actuaries noted that during the period under review, the consulting actuary was also required to provide extensive data and comments in respect to the Fund's first asset-liability management study. In its latest overall appraisal in 2008, the Committee confirmed that the consulting actuary had continued to meet consistently high professional standards and expressed appreciation for the outstanding work and performance. The Committee agreed that this could not have been achieved without the long-standing relationship between the Fund and the consulting actuary, the resulting institutional memory and in-depth understanding of the many complexities of the provisions of the Fund and its overall operations. The Committee also stressed the importance of the peer group practice internal to the consulting firm. The Committee concluded that the current arrangement with the consulting actuary provided the Fund with consistent, reliable and technically sound actuarial services, at a very favourable cost.

227. In 2007, the asset-liability management study generated independent results that were closely aligned to those of the most recent actuarial valuation performed by the consulting actuary, thus providing further independent confirmation of the high quality of the Fund's actuarial services and related review process.

228. The Secretary/CEO further informed the Board that in March 2008 the Committee of Actuaries' very positive assessment had been conveyed to OIOS in response to observations and recommendations made in an internal audit report on the procurement of actuarial services. OIOS noted that it was standard practice that all third-party services should be subject to a bidding exercise conducted by the Procurement Service. Management pointed out that the current contractual arrangements with the consulting actuary, which were accompanied by ongoing, concordant and independent professional assessments of the services, benefited the Fund both in terms of technical quality and value for money. It was also indicated that if the external assessments of the consulting actuary's work were to become less positive, Fund management would review the contractual arrangements and report to the Board on the matter. In the meantime, the Fund management has agreed that, henceforth, the Pension Board should, as a separate agenda item, review future contractual arrangements for the provision of actuarial services to the Fund, including the possibility of calling for formal competitive bidding when considered appropriate and in the interest of the Fund.

229. Additionally, it was noted that in its 2008 report (annex IX, para. 105), the Board of Auditors recommended that the Fund consider: (a) cross-training by introducing a joint actuary; and (b) developing some in-house actuarial service expertise.

230. During its discussion, the members of the Board recognized the value of a long-term relationship with the Fund's consulting actuary given the complexities of the Fund's many features and, as noted by the Committee of Actuaries, the many practical and technical challenges presented from an actuarial perspective by the nature and operations of the Fund. The Board further noted that the need for additional in-house technical expertise had also been evidenced in the whole office review.

231. **After in-depth review of the proposals presented by the Secretary/CEO, the Board approved the extension until 31 December 2010 of the current contract with the consulting actuary, which will expire on 31 December 2008. The additional two-year period would cover an entire actuarial valuation cycle, including a review of the demographic and economic assumptions in 2009, as well as the actuarial valuation as at 31 December 2009. The Board requested that, in line with the recommendations of both the Fund's internal auditors and the Board of Auditors, a formal bidding exercise be undertaken for the future contractual arrangements for actuarial services and that the short-listed vendors be presented for its consideration at its session in 2010. It also noted that the Secretary/CEO would propose the development of an in-house actuarial capacity to complement the services provided by the consulting actuary and would present that proposal to the Board in 2009 as part of the Fund's budget requests for the biennium 2010-2011.**

J. Report of the medical consultant (Rules of Procedure, rule D.3)

232. The medical consultant to the Board presented a report with respect to the two-year period from 1 January 2006 to 31 December 2007. The report contained detailed information and analysis as regards the new disability benefits awarded during that period, together with data on new disabled children's benefits and on the deaths of participants while in service. The report analysed the incidence rate (0.71 per thousand participants), the diagnostic categories and the average age, as well as the average contributory service of UNJSPF participants to whom new disability benefits were awarded.

233. The medical consultant noted that the patterns in the current reporting period were consistent with previous periods. The following five diagnostic categories represented over 85 per cent of all new disability cases: psychiatric (43 per cent), neurological (14 per cent), neoplasm (11 per cent), cardiovascular (10 per cent) and orthopaedic (7 per cent). He noted that in general the incidence rate for UNJSPF disability benefits was extremely low compared with the general population. As regards the sustained predominance of psychiatric illness, he noted that this was not a surprising result and was also in line with the trends experienced by the general population, as evidenced by recently published studies.

234. With regard to deaths by diagnostic categories, cardiovascular diseases, neoplasm and trauma were the leading causes. In that respect, the medical consultant noted that the United Nations Medical Service was not oriented, neither did it have the necessary resources, for more interventional approaches, including preventive health care, education or targeted individualized risk-based screening. He mentioned that in modern occupational health practice there was a tendency to move to more strategic, active case management of employees, which might prove cost-effective. On the other hand, the medical consultant mentioned the special challenges the United Nations work environment placed in that regard. He mentioned that the United Nations medical directors' working group was prepared to develop a study proposal to determine whether the adoption of such a case management-oriented approach would lower the health-care costs of the organizations and disability costs of UNJSPF.

235. **The Board expressed appreciation for the information and analysis provided by the medical consultant. A request was made that in future reports all information be disaggregated to include gender and age distribution. Furthermore, the Board was interested to learn which percentage of disability cases, in particular those with psychiatric diagnosis, were related to participants who served in field duty stations. Finally, the Board noted that the suggested study on the change of approach with regard to occupational health care, including case management, was related primarily to human resource management. While expressing its support, the Board recommended that the issue be referred to the Human Resources Network of the High-Level Committee on Management, especially given the low incidence of disability cases within the Fund.**

Chapter VII
Audit

A. Report of the Audit Committee

236. The Chairman of the UNJSPB Audit Committee presented the second report of the Committee to the Board of 2 July 2008. He advised the Board that since July 2007 the Committee had held three meetings, during which the Committee had met, in camera, with both internal (OIOS) and external auditors (the Board of Auditors), the CEO of the Fund and the Representative of the Secretary-General for the Investments of the Fund and other management representatives. The Chairman stated that the Audit Committee's report included the reports submitted by OIOS to the Committee on the internal audit programme of work, as OIOS now reported to the Pension Board through the Committee. Those reports included summaries of the major OIOS audit recommendations, the status of the workplan of the internal audit as well as an update on the status of implementation of recommendations.

237. The second report of the Audit Committee covered internal and external audit matters, the financial statements of the Fund, the risk management and internal control framework, membership, self-evaluation and administrative matters.

Internal audit matters

238. With regard to the Fund's audit charter, the Audit Committee had decided that the issue of independence concerning the scope of audit planning, referred to in recommendation 8 of the OIOS audit report on UNJSPF governance, would be adequately addressed, for the time being, by revising a provision of the terms of reference of the Audit Committee. **Consequently, the Committee recommended that section 5.9 (Responsibilities: internal and external audit) of its terms of reference be amended to read:**

> **"5.9 The Audit Committee will review and endorse annual internal audit plans, which are prepared by internal auditors, in close consultation with the Chief Executive Officer (CEO) and the Representative of the Secretary-General for Investments (RSG)."**

239. The Audit Committee had reviewed and endorsed the 2008-2010 internal audit workplan for the UNJSPF secretariat and Investment Management Service, which included a full review of the comprehensive risk assessment of the Fund. During the reporting period, the Audit Committee had reviewed seven final audit reports issued by OIOS. The Committee's comments on specific recommendations, which were considered critical or where there appeared to be differences between the management and internal auditors, were conveyed in paragraph 10 of the report. Generally, the Audit Committee had been encouraged by the high acceptance and implementation rate of the internal audit recommendations. **The Committee advised both the CEO and the Representative of the Secretary-General to collaborate closely when responding to specific audit observations or recommendations and to ensure that the necessary coordination took place, preferably before the reports were finalized and made public.**

240. With respect to audit performance, the Committee had recognized that five additional audit reports had been issued before June 2008. However, the Committee

was somewhat concerned with the disparity between planned and completed internal audits and therefore decided to keep the performance as regards the internal audit under review. Finally, OIOS had agreed that in its future audit reports it would include full management comments (unedited and in their entirety), either directly in the reports or annexed thereto.

External audit matters

241. The Audit Committee was pleased to note that the external auditors had given an unqualified audit opinion on the Fund's financial statements for 2006-2007. The Committee had recognized that out of 21 previous audit recommendations, 11 had been fully implemented and 9 were long-term in nature, but also under implementation. Only one recommendation, concerning monthly reconciliation of contributions, had not been implemented. **The Audit Committee stressed the importance of having a mechanism for regular reconciliation of accounts.**

Financial statements

242. In order to ensure that the Fund's financial statements were reliable, timely and relevant and provided necessary information and assurances to all constituent groups and the governing bodies, the **Committee had concluded that the establishment of a joint financial accounting function would strengthen the Fund's internal financial controls and enhance further confidence of the stakeholders.** Concerning implementation of IPSAS, the Audit Committee had emphasized that the accounting standards of the Fund needed to be tailored to best serve the Pension Board and its membership having regard to the nature of its business.

243. The Audit Committee had determined that the key area for consideration of accounting standards would be for investments and the specific accounting and reporting for retirement benefit plans, where there was no pertinent standard in IPSAS. The Committee had reviewed a UNJSPF study on the appropriate accounting standards that should be applied by the Fund and noted management's suggestion to consider applying the International Accounting Standard (IAS) 26 (which is part of the International Financial Reporting Standard (IFRS)), on accounting and reporting by retirement benefit plans, as the overarching standard for reporting and accounting for the Fund's operation.

244. The Committee had undertaken preliminary discussion on applying IPSAS+ formulation or the IFRS and had decided to revert to the matter at the Committee's next meeting. **Meanwhile, the Audit Committee recommended that management accelerate its planning efforts, including consultations with the internal and external auditors.**

Risk management and internal control framework

245. The Committee had reviewed the UNJSPF risk management framework and **concluded that the UNJSPF policy was well in line with good practices.** The Committee had noted that risk management should be management-driven and that it should ideally be embedded in all activities of the Fund. While the CEO had stated that there had been consultations with the former Representative of the Secretary-General and the former Director of the Investment Management Service, the Committee was concerned that the risk management strategy (the Fund's

enterprise-wide risk management) seemed to have been undertaken without the full involvement of the Representative. In response to the inquiries of the Committee concerning the Fund's efforts to align and coordinate different risk management frameworks (OIOS, the United Nations and UNJSPF), it appeared that there was a sequencing issue, which affected the efficiency by which the Fund should address the matter in the future.

246. **The Audit Committee called for: (a) updated information on the status of implementation of the established UNJSPF risk management policy on an ongoing basis; and (b) close cooperation of the Representative of the Secretary-General and the CEO, on a regular basis, to ensure that the Fund had a well-coordinated, joint approach in its overall operations and in particular with regard to risk management.**

Membership

247. The terms of reference of the Audit Committee (section 3.2) stated that all members of the Committee shall be independent, knowledgeable in accounting, auditing, financial management or compliance and have long-established exposure and demonstrated expertise in these fields. The Committee is composed of seven members and two expert members, all appointed by the Pension Board for four years. They may not be selected for consecutive terms.

248. The Federation of Associations of Former International Civil Servants (FAFICS) had proposed the candidature of Mohammed Said, to replace Aurelio Marcucci, a UNJSPF retiree, who had resigned for personal reasons. **The Committee recommended the approval of his appointment.** In addition, the Committee recommended to the Board **the approval of the appointment of Philippe Adhemar to serve as a new expert member** of the Committee.

249. Furthermore, the Committee had reviewed and approved a draft declaration of conflict of interest, which all the members were to sign after its formal approval by the Board. Consistent with recommendation 12 of the OIOS audit on governance, the Committee remained committed to conduct an annual self-evaluation. Finally, the Committee had welcomed guidance and suggestions from the Board on issues that should be incorporated into the Committee's future workplan.

250. The Board members expressed their appreciation for the work of the Audit Committee. They noted that the Committee had expanded its range of deliberations since 2007 and seemed to satisfactorily bring together different audit functions and the related issues, thereby increasing expertise, efficiency and effectiveness of the work of the Board when considering audit matters, financial management as well as risk management and the internal control framework. A question was raised whether the individual audit reports, including the management responses thereto, would be made available to Board members, who were also responsible for the administration of the Fund pursuant to article 4 of its Regulations. The Chairman of the Audit Committee recalled the difference between internal and external audit functions and noted that the internal audit function was primarily a support function to management and that the Committee, as an expert body, had been delegated the authority to oversee the work of internal auditors, including the review of scope, results and effectiveness of the audit reports. He stated that it was ultimately for the Board to decide whether it considered it valuable to have all individual reports before it.

251. **The Board approved all the recommendations made by the Audit Committee.** It supported strongly coordination and close cooperation between the Representative of the Secretary-General and the CEO, in particular in the area of risk management. The Board members were equally pleased to note the high level of implementation and acceptance of audit recommendations. Finally, in order to ensure continued representation, the Board authorized the Audit Committee to initially approve a replacement candidate should there be resignations in the future, subject later to the Board's formal endorsement.

Administrative matters

252. The members of the Audit Committee had reiterated that they had been selected to serve in the Committee because of their individual skills, competencies and experience in accordance with the terms of reference. Accordingly, and because of the funding source, the Committee had concluded unanimously that all Committee members should be treated equally for travel purposes, irrespective of the travel standards of their constituent groups or organizations, which varied widely. **Given the status of the Audit Committee as a standing subcommittee of the Board, the status of which in that regard was similar to that of the Investments Committee, the Board approved travel standards for all its members. However, the Board agreed that this would not be a precedent for any other committees or working groups of the Board.**

B. External audit

253. The Director of External Audit (South Africa), representing the Board of Auditors, presented the report of the Board of Auditors via video link from New York. This report is provided in annex IX.

254. In presenting the draft, the representative of the Board of Auditors highlighted a change in approach, which meant that recommendations were now addressed specifically to the Fund secretariat or the Investment Management Service as appropriate. He also stated that, on the question of the presentation of financial statements, the Board of Auditors was aware that the Audit Committee and administration of the Fund were discussing changes to layout and presentation of the statements in the light of the pressure facing the Pension Fund in that regard.

255. The representative informed the Pension Board that the Board of Auditors was proposing an unqualified opinion on the financial statements for the biennium 2006-2007, which represented a continuation of a pleasing trend established by the Pension Board over several biennia, but cautioned that sustained efforts would be required on new accounting rules to maintain an unqualified audit report.

256. The representative of the Board of Auditors drew the Board's attention to the significant findings in the draft report: the lack of any provision for after-service health insurance; the management's own comments contained in the statements with regard to the reporting of non-expendable property; the asset values recorded for real estate assets; and the exceeding of an authority level observed on an investment transaction. The positive response of management to those audit observations was noted. The representative further reported that, with regard to the status of recommendations the Board made in the last biennium, almost all recommendations had already received the attention of management and over half the

recommendations could now be considered fully implemented. He noted too that those recommendations which were partially implemented were longer-term in nature.

257. Referring to the work of the Audit Committee of the Pension Fund, the representative noted that the external auditors had met with the Committee several times during the biennium, providing updates on the progress of its work, highlighting emerging issues and providing comments on specific issues.

258. The Board thanked the auditors for their detailed and considered report and for their support to the Board in reporting on the financial statements and activity of the Fund.

259. The Pension Board sought further information with regard to the delay in completion of bank reconciliation within the secretariat. The Board was informed that although formal reconciliation had been delayed, as reported by the auditors, the Fund had completed an initial reconciliation and monitored the transactions flowing across their bank accounts for accuracy and completeness on a daily basis. The Board also commented that the secretariat of the Fund should review the audit recommendations with regard to differences in accounting records at the general ledger and detailed account levels.

260. With regard to the comments made regarding the Investment Management Service, the Board requested clarification concerning the compliance issues relating to trade processing and authorization. It was informed that the Service was seeking more robust, timely and secure trade order execution systems.

261. The Board also asked for clarification upon the Fund's position with regard to the introduction of IPSAS and was informed that, in collaboration with both the Fund's Audit Committee and the IPSAS implementation team, the Fund had been actively assessing the potential impact of the introduction of IPSAS given that the current set of standards referred to by the Fund in drawing up its financial statements would no longer be used as from 2010. It was clarified that there was no IPSAS that related directly to the financial reporting of a retirement benefit plan and that in consequence, within the overall scope of IPSAS where no IPSAS standard would apply, it was foreseen that alternative standards could be referred to for as long as those standards could be held to be of equal quality and rigour in approach. In that context the Fund referred to alternative standards known as IFRS and their predecessors IAS (see para. 243 above) as potentially suitable alternative standards. It was further reported that the preliminary work completed by the Fund indicated that meeting those requirements would require changes that were more presentational in nature than substantive, since most of the data was already provided in the statements of the Fund but presented according to the Fund's normal style of presentation.

Chapter VIII
Governance matters

A. Proposed amendments to the Regulations and Rules of the Fund

1. Provision for declaration of conflict of interest by members of Fund committees

262. In conjunction with the appointment of the membership of the Committee of Actuaries as well as the Investments Committee, the Board had requested in 2006 that procedures be established to ensure that there was no conflict of interest in the appointments of the members of the two committees. The secretariat and the Investment Management Service requested information and advice from the Ethics Office of the Secretariat with regard to appropriate requirements and administration of applicable programme in this regard. Additionally, IMS consulted with the Office of Legal Affairs of the Secretariat, which advised that there was already a framework in place that covered the status, conduct and accountability of United Nations officials other than United Nations staff members. It was considered that this would cover the members of the Fund's advisory committees, including the Audit Committee, which had been established in 2007.

263. Therefore, a declaration was drafted that referred to the Regulations Governing the Status, Basic Rights and Duties of Officials other than Secretariat Officials, and Expert on Mission (ST/SGB/2002/9), adopted by the General Assembly in 2002 (resolution 56/280). The relevant parts of the Regulations that refer to "the United Nations" should be replaced with "the United Nations Joint Staff Pension Board". Each declaration of conflict of interest has been drafted bearing in mind the mandate and focus of the specific committee; they all refer to the Regulations mentioned above, to the terms of reference of the committee and to the Regulations of the Fund.

264. **The Board was informed that, at their 2008 meetings, the Investments Committee, the Audit Committee and the Committee of Actuaries had approved the relevant declarations. In addition, the members of the Investments Committee had already signed the declaration. The Board formally approved the declarations of conflict of interest for each of the Committees.**

2. Changes to the Regulations related to return to contributory service after period of disability

265. During its fifty-fourth session, in 2007, the Board agreed with the proposal of the Secretary/CEO that a limited modification should be made to the Regulations of the Fund so that, for participants who returned to active contributory service after a period on disability, the latter could be considered part of the participant's UNJSPF contributory service, without requiring the participant to pay contributions for that corresponding period. The Committee of Actuaries reviewed the cost of the proposed modification at its 47th session, in 2008, and noted that the disability liability was relatively small within the context of the Fund's total liabilities and that, in the light of historical data, the actuarial costs that would result from the proposed amendment would be negligible.

266. **The Board decided to recommend the amendment to article 24 (b) of the Regulations of the Fund, as well as relevant changes to relevant Administrative Rules of the Fund, contained in annexes XIV and XV, respectively.**

3. Revision to administrative rule B.6 (b): participants who separate and return to service

267. The Board approved the change to the UNJSPF administrative rule B.6 (b) to align the time limit therein (36 months) with the articles 21 (Participation) and 32 (Deferment of payment or choice of benefit) of the Regulations of the Fund, which the Board had recommended and the General Assembly approved in 1998.

4. Provision to allow purchase of years of contributory service by part-time staff

268. The Board decided in 2007 to recommend an amendment to the Regulations of the Fund on the basis of a note submitted by the IAEA Staff Pension Committee regarding a proposal to allow part-time staff members to contribute to the Fund as if they were employed on a full-time basis and requested that actuarial costing be provided by the consulting actuary.

269. The Board proposed that the UNJSPF Regulations be amended such that part-time staff members would be given the option to contribute to the UNJSPF in addition to their regular contributions for the difference between the actual part-time employment and a notional full-time employment. The staff members would need to pay full contributions to the Fund by paying the organization's share as well as their own share of monthly contributions. Staff would be allowed to elect in and out, if desired, once during their employment in a part-time assignment. It was agreed that additional contributions accepted would be limited to a period of three consecutive years of part-time employment.

270. The consulting actuary noted that the proposed amendment offered part-time staff a discretionary option that other participants did not have. Through the option to make full contributions, part-time staff would have the ability to exercise adverse selection against the Fund. The specific circumstances of each individual determined the potential increase in the value of that individual's pension benefits resulting from the purchase of years of contributory service. The consulting actuary noted further that only those part-time staff members with the necessary financial resources would be in a position to take advantage of the full contributions option.

271. The data provided for the 31 December 2007 actuarial valuation indicated that there were 403 Professional staff (73 male and 330 female) and 1,153 General Service staff (90 male and 1,063 female) part-time participants at that date, which represented around 1.5 per cent of all active participants. As at 31 December 2007 only 20 Professional staff (5 male and 15 female) and 98 General Service staff (7 male and 91 female) part-time participants were retirement eligible as at 31 December 2007, the group who were best positioned to gain financially from the option to provide full contributions. Owing to the relatively small number of participants who would be affected by the proposed amendment, the overall actuarial costs to the Fund appeared to be minimal.

272. The Committee of Actuaries reviewed the item at its forty-seventh session, in 2008, and agreed with the approach utilized by the consulting actuary in estimating the potential cost of the proposed measure. The Committee noted that:

"Although the cost of the measure might be minimal, the proposed amendment would offer one selected group of UNJSPF participants, i.e. part-time staff, a discretionary option to increase their pension benefits, an offer which other participants do not have. The proposed option (to provide full contributions for part-time staff) would allow adverse selection against the Fund. In this connection, the Committee recalled the lengthy debate in the past, as well as the Board's negative conclusion, on the possibility to purchase additional years of contributory service. Finally, the Committee noted with concern that the proposed measure departs from the Fund's basic plan design that directly links employment/pay status and benefits. It also appears inconsistent with the income replacement principle which has been repeatedly upheld by the General Assembly in its resolutions."

273. Some Board members expressed their concern over whether the 2007 decision had been taken too hastily, particularly in view of the strong statement of the Committee of Actuaries on the matter. On the other hand, it was noted that the data had proved that the majority of the part-time staff members were female participants. It was noted that this was in line with modern human resource management, in particular work-life balance initiatives of the United Nations, and that the Fund had a social responsibility to advance gender equality, even in this modest way. Board members emphasized that the decision had already been taken in 2007 and that the costs would be minimal.

274. **The Board approved the proposed amendments to the Regulations of the Fund with regard to the provision to allow purchase of years of contributory service by part-time staff. However, it noted that its decision was not to set any precedent with regard to purchasing of additional years of contributory service, but was strictly limited to the group of part-time staff members, who needed to make the decision whether to contribute full-time or not, immediately, at the time when commencing their part-time service. Any additional contributions would be accepted only for a one-time period of part-time employment, the duration of which could not exceed three consecutive years. Lastly, the Board decided to monitor the amendment in the light of information received from the employing organizations regarding potentially eligible staff. The Board asked for a follow-up report in 2012 to monitor the number of staff members who actually had opted for paying full-time contributions during the first three years.**

B. Plan design

1. 2002 Pension Board recommendations on benefit provisions

275. Given the improved actuarial situation reflected in the valuations performed as at 31 December 1997, 1999 and 2001, the Board had recommended a number of benefit improvements to the General Assembly in 2002. In its resolution 57/286, the Assembly had approved, in principle, the Board's recommendations, with implementation to begin when the actuarial valuation of the Fund would show a clear upward pattern of surpluses. In 2004 and 2006, the Assembly approved implementation of some of those recommendations on the basis of the continued actuarial surpluses revealed as at 31 December 2003 and 2005. The latest valuation,

carried out as at 31 December 2007, confirmed that the Fund was experiencing its sixth consecutive actuarial surplus.

276. In view of the consistently positive actuarial valuation results, representations had been received that the Board should consider whether it would reiterate the 2002 recommendations that had not yet been approved for implementation. The Board therefore considered the recommendations concerning the removal of the remaining 0.5 per cent reduction in the first consumer price index adjustment due after retirement and cost-of-living adjustments applicable for deferred retirement benefits to commence as from age 50. The total elimination of the 1.5 per cent reduction was initially estimated in 2002 at an actuarial cost of 0.46 per cent of pensionable remuneration. With respect to each of the first two phases, the Board assumed an actuarial cost of 0.15 per cent of pensionable remuneration. The adoption of cost-of-living adjustments to deferred retirement benefits as from age 50 was estimated in 2002 at an actuarial cost of 0.36 per cent of pensionable remuneration. Therefore, should the Board decide to recommend, and the Assembly approve implementation of, those recommendations, the total estimated actuarial cost of the modifications would be about 0.51 per cent of pensionable remuneration.

277. The Board noted that the Committee of Actuaries had considered the overall estimated costs of the measures in the context of the most recent results of the actuarial valuation carried out as at 31 December 2007. Given the results of the latest valuation, which revealed a reduced surplus of 0.49 per cent of pensionable remuneration, the Committee counselled restraint when considering enhancements to the benefit provisions of the Fund and further suggested deferral of any decision on the matter until the results of the 31 December 2009 valuation were known.

278. The Board considered its 2002 recommendations made with respect to the 0.5 per cent reduction in the first consumer price index adjustment due after retirement and concerning earlier cost-of-living adjustments for deferred retirement benefits. It also took into account the estimated actuarial costs of implementing both measures in the context of the results of the most recent actuarial valuation.

279. **Given the importance of the matter the Board decided to keep the item as a priority on its agenda**

2. Proposed terms of reference for the Working Group on Plan Design

280. The Board considered a note that referred to the various proposals for changes in the benefit provisions of the Fund that had been advanced during recent meetings of the Board and the diverse views concerning such changes that were held by the different constituents of the Board. It was suggested that the Board might wish to consider establishing a working group, in order to examine and prioritize the proposals being advanced in a more integrated and comprehensive manner. It was recalled that such an approach had been followed when the Board decided to establish a working group in 2000. Its analysis and recommendations had provided the Board with a clear "road map" for the past several years. Similarly, recommendations from the proposed new working group could be intended to guide the Board over the next several years.

281. The Board agreed to establish the Working Group on Plan Design, with the following terms of reference:

(a) To assess the major developments to be taken into account in defining the future needs of the Fund;

(b) To examine the remaining economy measures adopted since 1983 but not yet addressed, as well as any additional measures that have been under recent consideration by the Board and/or that may arise from the assessment referred to in (a) above;

(c) To formulate and prioritize proposals to meet the future long-term needs of the Fund and its constituent groups.

282. The Working Group would limit its focus to prioritizing possible measures that could be taken in view of the continued actuarial surplus, as well as consider measures that could provide savings, which would allow for other changes in the plan design. The Board agreed that the final report of the Working Group established in 2000 to undertake a fundamental review of the Fund should serve as the basis for the new Working Group. The balance of the 2002 recommendations, already approved in principle by the General Assembly, should continue to be considered as priority issues. The Group should also continue to consider issues aimed at enhancing the mobility of staff and the portability of pensions through a possible reduction in the minimum period to qualify for a periodic benefit and through possible enhancements in the amount payable for withdrawal settlements.

283. The Board also requested the Working Group to consider the principles suggested in the report of the Committee of Actuaries relating to income replacement, long-term solvency, intra- and inter-generational equity, cost control and stability, simplicity of administration and reduction of risks.

284. A preliminary report will be presented to the Board in 2009. The Group will incorporate the views of the consulting actuary and the Committee of Actuaries in its final report, which should be presented to the Board in 2010.

285. Any additional costs for the services of the consulting actuary that relate directly to the Working Group of the Board, as well as the usual costs for travel and related daily subsistence allowance for the members of the Group (and including the members of the Committee of Actuaries), would be included in the Fund's budget and charged against the Fund as administrative expenses. This would be in accordance with the decision taken by the Board in 2006.

286. It was further agreed that the composition of the Working Group would include three representatives from each of the tripartite groups and FAFICS. In addition, the group would also include a representative from the Investment Management Service. The names of the individuals appointed to the Working Group and one alternate for each group were agreed upon as follows:

	Members	*Alternates*
Governing bodies	V. M. Gonzalez Posse (United Nations)	G. Kuentzle (United Nations)
	A. Kovalenko (United Nations)	
	J. Larivière (WHO)	
Executive heads	S. Tabusa (ILO)	C. Hennetier (WHO)
	R. Pawlik (United Nations)	
	D. Northey (IAEA)	
Participants	S. Liu (United Nations)	S. Hansen-Vargas (WMO)
	M. Pace (FAO)	
	F. Leger (ILO)	
Federation of Associations of Former International Civil Servants	A. Castellanos del Corral	G. Schramek
	R. Eggleston	
	W. Zyss	

C. Clarification of policy on Board attendance: article 5 (a) (ii) of the Regulations of the Fund

287. At its fifty-third session, the Board requested the Secretary/CEO to prepare a policy paper to provide clarification concerning membership on the Board, in particular with regard to the representation by the secretaries of the staff pension committees. A document was presented to the Board at its fifty-fourth session with suggestions for an authoritative interpretation of the rules of procedure A.9 and B.9 of the Fund. In 2007 the Board recognized that there could be issues related to possible conflict of interest situations in cases where the secretaries of staff pension committees were designated to represent their organizations. On the other hand, the Board recognized that the representation was also a resource issue and that the past practice had been flexible so as to accommodate smaller UNJSPF member organizations and their participation in the Board and Standing Committee meetings. The Board requested further clarification on article 5 (a) (ii) of the UNJSPF Regulations to facilitate the Board's decision-making on the matter.

288. While the Secretary/CEO suggested changes to the Fund's Rules of Procedure, citing mainly good governance principles, he emphasized that, ultimately, it was for the Board to make a policy decision on the matter. The Board noted that there was no legal basis to object to the long-standing practice of designation of a staff pension committee secretary to represent the executive head, even if the secretaries could not become actual members of a staff pension committee. **The Board was in favour of maintaining flexibility in the arrangements, bearing in mind the balance between the effective representation of smaller organizations and the ethical principle of avoiding any potential conflict of interest situations. It recalled that all members were participating in the administration of the Fund,**

pursuant to article 4 of its Regulations, first and foremost keeping the Fund's best interest in mind. It concluded that there was no need to change the Fund's Rules of Procedure at that time. Furthermore, the Board stated that it did not wish to intervene in the selection process of the representatives of the member organizations. Finally, the Board decided that should the executive heads alter their representation on the local staff pension committee, even if the intention was to do so only for the limited purpose of the designation of representation at a Pension Board or the Standing Committee, the secretary's appointment should be made in writing, clearly defining his/her role and mandate for the duration of the Board. (Annexes X and XI reflect the size and composition of the Board and its Standing Committee; annexes XII and XIII reflect the allocation and rotation of Board and Standing Committee seats for sessions held after 2006.)

D. Review of the revised memorandum of understanding between the Chief Executive Officer and the Representative of the Secretary-General for the Investments of the Fund

289. The Board recalled that, at its fifty-third session, it had requested the CEO and the Representative of the Secretary-General to review the memorandum of understanding between the Pension Fund secretariat and the Investment Management Service, which had been approved by the Board in 1998, with a view to strengthening coordination and the consultation process for matters of strategic importance to the Fund, in particular with regard to financial management and investment policy.

290. The Board also recalled that, at its fifty-fourth session, it had concluded that full coordination and consultation should be pursued in the spirit of cooperation and joint search of further economies of scale.

291. The Board also recalled that it had requested that a revised memorandum of understanding be prepared jointly by the Representative of the Secretary-General and the CEO, focusing on the issues that would need to be addressed to ensure a coordinated and more unified approach in the management of the activities relating to both the Investment Management Service and the Fund secretariat.

292. The Board took note of an update on coordinated action taken by the CEO of the Fund and the Representative of the Secretary-General to update the memorandum of understanding in the light of the Board's request at its fifty-fourth session.

293. The Board welcomed the designation of two representatives by the CEO of the Fund and the Representative of the Secretary-General concerning investment of the assets of the Fund and the ongoing consultative process and collaboration on the revision of the memorandum of understanding.

294. **The Board reiterated its recommendation that full coordination and consultation should be pursued in the spirit of cooperation and as a joint search for further economies of scale. Furthermore, the Board recommended that the work on the memorandum of understanding undertaken by the Working Group on Plan Design should continue and requested that the revised memorandum of understanding be presented to the Board at its fifty-sixth session.**

Chapter IX
Benefit provisions of the Fund

A. Study on the impact of currency fluctuations on Fund pension benefits

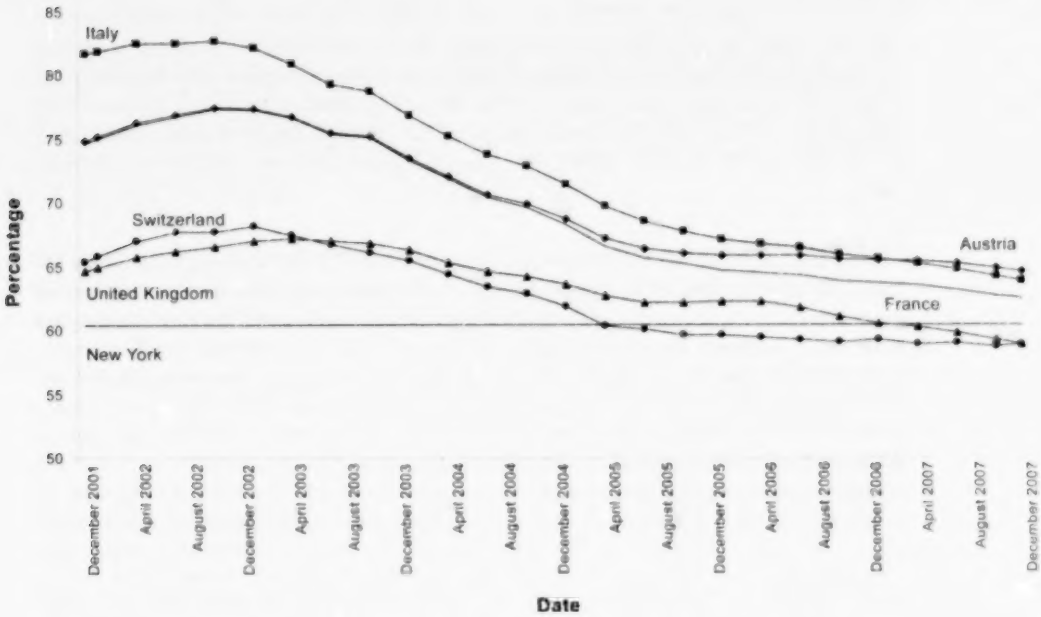
295. The impact of currency fluctuations on Fund pension benefits and the variations in amounts due as a result of different separation dates have been studied frequently throughout the history of the Fund's pension adjustment system. The 2008 review on the subject, which was prepared on the basis of a note presented to the Board in 2007 by the IAEA Staff Pension Committee, was carried out in three parts.

Professional staff

296. The first section of the report addressed the impact of currency fluctuations on local currency track benefits payable to Professional staff. Over the years, concerns have been regularly expressed regarding variations in the optional local currency track amounts due as a result of different dates of separation. It was noted that those concerns understandably became more evident during cycles when the United States dollar lost significant value over a relatively short period of time, as clearly demonstrated with respect to separations between 2002 and 2005 for UNJSPF retirees residing in Austria, France, Italy, Switzerland and the United Kingdom of Great Britain and Northern Ireland. The figure below highlights two important issues that were brought to the attention of the Board, namely: (a) the wide variations in local currency track benefits and thus in income replacement ratios, which result from different dates of separation and different applicable exchange rates between 2002-2005; and (b) the continued but moderating downward trend in local currency track amounts that may reach a point where action could eventually be required.

Figure

Income replacement ratio of a P-4 top step, retiring with 25 years service at age 60: based on local currency track amounts as established on 36-month average exchange rates



297. Given the timing as to when the General Assembly takes its decisions with respect to the pension item and the current (although moderating) downward trend in the local currency track amounts, the Secretary/CEO found it would be useful for the Board to begin a preliminary review of possible options at its current session.

298. A number of possible measures were identified and considered in the report, which could be available to mitigate the steepness of the slopes and the continued declines. It was found, however, that most approaches would involve an increase in the overall actuarial costs of providing for the Fund's two-track system of adjustment, would not address the longer-term issue of wide variations owing to different separation dates and/or would not fully address the current downward trends. In addition, any increase in the local currency track amounts in the countries reviewed at that time would likely result in inequities. One approach, which would appear more equitable, considered the possibility of using 120-month average exchange rates (instead of the current 36-month average rates) to determine the local currency track amounts for Professional staff. The aim of such a measure would be to spread the currency risk, as well as the potential for gain, over a longer horizon, thereby reducing the steep variations that had been experienced in the past as a result of different dates of separation. The problem could therefore be mitigated by expanding the applicable range of exchange rates. It was recognized, however, that the solution would not be so simple when trying to incorporate such a change into the existing and intricate provisions of the pension adjustment system. In that

connection, the Board would need to agree to two important and fundamental changes. Firstly, it would require a de-linking of the COLD factor methodology, which was currently based on the last 3 years of service, from what would become the new applicable range of exchange rates, which would then be based on the last 10 years of service. In addition, the Board would also need to confirm its agreement that the methodology for establishing the local currency track amounts for Professional staff, which would henceforth be established on the basis of 120-month average rates of exchange, could be different from the methodology used with respect to General Service staff (which would continue to be established on the basis of 36-month average rates of exchange). In addition, it was noted in the report that, should the Board decide to accept those two fundamental changes, a further review would be required in order to adequately assess the impact of such a measure in countries where paragraphs 26 or 38 of the pension adjustment system had become or might become applicable.

299. Moreover, it was determined by the consulting actuary that although such an approach would involve less added costs than the other options considered, it would nevertheless add notable costs in providing for the Fund's two-track adjustment feature. In a separate note on the subject, the consulting actuary had provided the Board with the cost estimates below (table 9) with respect to various options considered. For the purposes of the costing exercise, the consulting actuary assumed a utilization rate of 30 per cent for future retirees.

Table 9

	Percentage		
Currency exchange modelled	*Range of costs*	*Average of range*	*Additional cost versus current design*
36-month average (current)	1.65-2.28	1.96	—
120-month average	1.98-3.25	2.61	0.65
Most favourable 36 months in the last 60	2.40-3.45	2.92	0.96
36-month average but not less than 60-month average as at December 2007 (fixed floor rate)	4.81-6.20	5.50	3.54

300. The Committee of Actuaries reviewed the analysis and cost estimates carried out by the consulting actuary. The Committee also noted that notwithstanding the declines experienced from 2002 to 2005, the current income replacement (I/R) ratios reviewed in the study were all reasonably in line with the targeted level (i.e. 60 per cent). Given that the ratios reviewed were levelling off in line with the targeted level, the Committee agreed that in view of the latest results of the actuarial valuation and the increasing cost of the two-track feature, as well as for reasons of equity explained in the study, it would appear difficult to justify any measure that would increase the current I/R ratios of those retirees who had had the opportunity to opt for the two-track feature, while maintaining the ratios at their current levels for other retirees who would have had no such option. Noting the scope, depth and implications of the issues involved and the need to incorporate the change into the extensively complex provisions of the pension adjustment system, the Committee stressed the need for further analyses. In addition, and especially as the slopes

reflected in the figure above had been levelling off recently, there would not appear to be a need for immediate action.

301. In considering the matter further, the Board also noted that the sharp declines experienced during the period 2002-2005 had been levelling off and the current local currency track amounts (and the related I/R ratios) in the locations reviewed did not appear to have reached the point where immediate action would be required. In addition, the Board recognized that cost-of-living differential factors had become applicable again in the United Kingdom and would become applicable in Switzerland within the next few months. More specifically, the adjustment for cost-of-living differential factors for those two countries would result in a further flattening of the slopes owing to slightly higher I/R ratios (i.e. at about the 60 per cent level for both countries).

302. The Board also considered a note by the Food and Agriculture Organization of the United Nations (FAO)/Staff Pension Committee that proposed a temporary measure in which the Fund would apply the best 36 of the last 60 months of exchange rates, consistent with the methodology used to calculate the final average remuneration in order to determine the local currency track amounts. Although the temporary nature of the proposal would be a positive feature, it would nevertheless have similar shortfalls as identified with respect to the other options considered.

303. The Board took into account the results of the most recent actuarial valuation carried out as at 31 December 2007, which revealed a reduced surplus of 0.49 per cent of pensionable remuneration. It also considered the fact that the emerging costs (2.06 per cent of pensionable remuneration) of providing for the two-track feature was already exceeding the costs assumed (1.90 per cent of pensionable remuneration) in the actuarial valuation and that the estimated cost of adopting the 120-month average approach would add an additional estimated cost of 0.65 per cent of pensionable remuneration. In further considering the extensive review carried out by the Secretary/CEO and the comments provided thereon by the Committee of Actuaries, the Board decided to continue to monitor the situation with respect to Professional staff.

304. Various members of the Board expressed serious concerns on the issue, including views that:

(a) The secretariat, together with the Fund's actuaries, had indicated their desire to provide the Board with specific options to mitigate the effects of the impact of currency fluctuations flowing from the study presented by the Board;

(b) In particular during recent periods of currency exchange rate volatility, the impact of currency fluctuations had resulted in unacceptable disparities of I/R ratios for beneficiaries, depending only on their date of retirement, and that such disparities threatened not only the long-term financial viability of the Fund, but also the fairness and equity on which all benefits were based;

(c) The issues raised by the disparities in currency fluctuations might undermine core principles of the Fund, including the Fund's goal of preserving predictable I/R ratios for defined benefits, as well as the Fund's need to ensure fairness and equity both intra- and inter-generationally and across all geographical regions and classes of beneficiaries;

(d) An immediate corrective measure should be implemented to mitigate the effects of the significant decline of the United States dollar;

(e) At that time, the acuity of the problem had abated;

(f) The Fund could not afford to wait an indeterminate period to take appropriate action to protect the interests of the Fund and those of its beneficiaries;

(g) The secretariat, together with the Fund's actuaries, must provide the Board with viable near- and long-term solutions to the problem of currency fluctuations revealed by the disparities.

305. In addition, the Board:

(a) Took note with appreciation of the study on the impact of currency fluctuations on UNJSPF benefits prepared by the secretariat, together with the comments thereon made by the consulting actuary and the Committee of Actuaries;

(b) Underscored the need for the secretariat to provide additional elements to the study concerning the impact of such currency fluctuations on other currencies in all regions of the world in which the Fund paid benefits, as well as the impact of currency fluctuations on both Professional and General Service staff members of the member organizations of the Fund.

306. **The Board then decided that:**

(a) **The secretariat, together with the Fund's actuaries, should continue to monitor the impact of and emerging costs associated with currency fluctuations and report thereon to the staff pension committees of the member organizations quarterly during the next 12 months;**

(b) **The first report, due no later than 31 October 2008, would include the impact on any recent adjustments to the two-track system resulting from the COLD factors that might be implemented in the upcoming period;**

(c) **The secretariat, together with the Fund's actuaries, would include in their reports the results of their supplemental studies on the impact of currency fluctuations on other currencies of the Fund's benefit payments, fairly representing all regions of the world, as well as the impacts on both Professional and General Service staff;**

(d) **By 31 March 2009, the secretariat, with costing input from the Fund's actuaries that took into account both near- and long-term estimates of the costs of implementation, would present to the staff pension committees, for consideration by the Board at its fifty-sixth session, in 2009, a further report on specific, workable and sustainable solutions to mitigate the impact of currency fluctuations at a cost compatible with actuarial results;**

(e) **Depending on the situation as it emerged over the next 12 months and if the need for immediate action was revealed, the Board at its fifty-sixth session, in 2009, would consider recommending to the General Assembly, for adoption at its sixty-fourth session, such solution or combination of solutions, to be implemented as soon as it could be effected after 1 January 2010, that the secretariat, together with the Fund's actuaries, might recommend to the Board in the report to be presented on 31 March 2009;**

(f) The Board would invite the General Assembly to consider for adoption any such recommendations at its sixty-fourth session.

General Service staff

307. The second part of the report addressed the final average remuneration methodology and the impact of currency fluctuation on the resultant and optional local currency track pensions payable to General Service staff. The findings and conclusions of the current review were similar to previous conclusions on the matter. In sum, a depreciating dollar, as currently being experienced in the harder currency areas, gives rise to an increase in the pensionable remuneration in United States dollar terms and consequently in the United States dollar pension. In the determination of the initial local currency pension, the decreasing 36-month average exchange rates are applied to increasing United States dollar pensions. Given the balancing effect of the relationship between pensionable remuneration rates, the ensuing final average remuneration rates and the applicable exchange rates, local currency track amounts for this category of staff were evolving in a normal and consistent manner. On the basis of the findings of the current review, it was suggested that the current methodology for determining the final average remuneration with respect to General Service staff should be maintained but that it should continue to be monitored.

308. The Committee of Actuaries also reviewed the study carried out with respect to General Service staff and noted that although the balancing effect of the applicable exchange rates and the final average remuneration methodology was resulting in a normal and consistent evolution in the local currency track amounts, the Committee suggested continued monitoring of the situation.

309. **The Board noted that the variations in the local currency track pension amounts payable to General Service staff, in the locations examined, continued to remain within an acceptable range and that although no immediate action would be required it would continue to monitor the situation.**

Euro as the base currency for contributions and benefits

310. In the third section of the report, consideration was given to the IAEA Staff Pension Committee's suggestion regarding the possibility of adopting the euro as the Pension Fund's base currency for contributions and benefits. It was recalled that, as pensions were derived from salaries, it would not appear feasible to change the base currency of the Fund to a currency other than that used to determine salaries, unless a more wide-reaching decision were to be taken to change the base of the salary system. In his note on the subject, the Secretary/CEO concluded that such a change would not address the two issues being raised and, moreover, that any consideration in that regard would also beg the question as to why the Fund would wish to change its base currency, which would involve a fundamental change that could expose the Fund to unanticipated risks, especially at a time when the current system, which had served the Fund well for some 30 years, was currently experiencing its sixth consecutive actuarial surplus.

311. The Committee of Actuaries had agreed with the conclusion of the Secretary/CEO that since the adoption of a new base currency would not address the two issues being raised, such a fundamental change would not appear warranted given the current circumstances.

312. **The Board took note of the review with respect to changing the base currency of the Fund.**

B. Study on small pensions and bank charges

313. The note presented to the Board focused upon the issue of bank charges levied on the payment of entitlements and in particular the regressive nature of the impact of such charges; the fact that the Fund sought to minimize the overall impact by use of bulk payment solutions; and that the Fund had made different arrangements to mitigate the impact with groups of beneficiaries. It also noted that the impact on beneficiaries tended to be greater where the payment processing systems infrastructure was less developed or not accessible by the Fund.

314. It was recalled that the Fund had consistently absorbed the first part of fees and minimized it by accessing local clearing systems via its banks to take advantage of the fact that the fees for in-country payments in local currency did not usually impact the final beneficiary.

315. It was noted that the problem arose where banks were charging to compensate for the fact that other sources of revenue derived from payments, such as exchange rate conversion, were no longer available.

316. It was also recalled that beneficiaries had met with some success when they had challenged the charges levied, especially when it had been done on a group basis.

317. In that context, the results of the Fund's request for proposals for payment processing services were mentioned and the need to adopt a differentiated approach was emphasized.

318. Mindful of the mandate contained in General Assembly resolution 61/240 concerning the negative impact of bank charges on small pensions, FAFICS informed the Board of its intention to continue to cooperate with the secretariat of the Fund by seeking pertinent information on bank charges across its network of member associations in all regions. In the opinion of FAFICS, once all possible solutions had been exhausted the Fund should consider the possibility of absorbing the bank charges on small pensions.

319. The Board endorsed the Fund seeking to adopt a mixed package of potential solutions. This would involve a differentiated approach to the question whereby, in addition to minimizing the cost to the Fund, the use of other criteria such as the cost to be borne by beneficiaries should be used in deciding which payment mechanism should be used. The Fund should seek to ensure that to the maximum extent possible the benefit being paid should arrive intact in the beneficiary's account.

320. However, the Board also noted that, given the geographical spread of beneficiaries, it was likely that there would be areas where high levels of bank fees could not be eliminated and that other strategies would need to be considered. They should also continue to be considered where use of a formal banking system was not possible or satisfactory. Inter-agency solutions using the services of member entities with local presence should be used, with the emphasis being placed upon the principle of solidarity between organizations. However, it was recalled that that approach had led to delays in the receipt of benefits.

321. **The Board took note of the report and encouraged the secretariat to continue to work on reducing costs to beneficiaries in this area.**

C. Benefit provisions with respect to family or former family members

322. The Board had reviewed studies on the existing rules and practices governing entitlements to survivor's benefits at its fiftieth and fifty-second sessions. It had intended to consider all benefit provisions relating to family benefits at its fifty-third session, in 2006, but instead had deferred the item to its fifty-fourth session. In 2007, the Secretary/CEO proposed changes to articles 35 bis and 35 ter of the Regulations of the Fund. The Board agreed that those proposals, as well as those which had been made previously by FAFICS, should be further reviewed at its 2008 session. In addition, the Board requested an actuarial review of the suggested amendments to the Regulations of the Fund, including the ILO proposal to increase the amount of the survivor's benefit to ensure that a minimum monthly amount would be payable. The Secretary/CEO presented a note containing a review of the Fund's experience concerning relevant articles and made further recommendations to streamline their application. Those concerned the elimination of the marriage "penalty" from divorced spouses and children eligible for UNJSPF benefit; the reverse of negative proof in article 35 bis (b) (v); the alignment of the election period of an annuity for a spouse married after separation; and an option to reverse article 35 ter election on the basis of a valid court order. FAFICS presented a note to the Board reiterating the proposals that it had previously submitted to the Board on those matters.

323. In addition to recommendations made in 2006, FAFICS suggested that a requirement of article 35 bis (i) with regard to a continuous period of 10 years of marriage, during which contributions were paid to the Fund, should be reduced to 5 years. The Board requested that an appropriate text be presented by the Secretary/CEO for its consideration at its fifty-sixth session, in 2009. An ILO representative asked a question about the actuarial costs associated with the measure suggested by the ILO Staff Pension Committee, as well as information with respect to similar arrangements, by which a beneficiary could enhance his or her surviving spouse's benefit, in any national pension schemes.

324. A question was also raised with regard to the potential increase of the number of cases where article 35 bis benefits were divided among surviving spouses, should the condition of article 35 bis (b) (v) be revised. The secretariat responded that the number of actual cases was very difficult to estimate in advance, but given that the overall amount of divorced spouse's benefits was low (as at 31 March 2008, a total of 66 benefits, of which only 17 related to separation from service on or after 1 April 1999, in which case the benefit payable was divided between the spouse and former spouse(s) in proportion to the duration of their marriages to the participant), the increase would not be substantial. Moreover, it was noted that the clarity in the Regulations would assist not only the current beneficiaries, but also active participants who were contemplating divorce proceedings, or had already divorced, and who wished to take those benefit provisions into account in their personal choices when drafting settlement agreements for court approval.

325. The Board recognized the social and legislative changes that had brought amendments to the Regulations of the Fund, in particular with respect to benefits for family or former family members, most notably article 35 bis and article 45, which had a direct impact on the increased demand for legal review and support required for the Fund's operations. **The Board considered the draft amendments to the Regulations of the Fund, together with the comments made by the Committee of Actuaries, and endorsed all the recommendations made by the Secretary/CEO. It was agreed that the secretariat would finalize the exact text of the amendments to the Regulations for submission to the General Assembly for its approval.**

D. Implementation of revised article 24 on restoration

326. At its fifty-third session, in 2006, the Board had recommended an amendment to article 24 (a) (Restoration of prior contributory service) of the Regulations. The change, to "eliminate the limitation on the right of restoration for existing and future participants based on the length of prior contributory service", had been approved by the General Assembly in its resolution 61/240 and had been in effect since 1 April 2007. The secretariat informed the Board that it had processed over 800 cases of restoration pursuant to the revised article, but that it had also been challenged on its interpretation of the amendment. The Secretary/CEO's note provided a short legislative history of restoration provisions in the Regulations of the Fund, together with the Board's earlier decisions concerning the issue. Pursuant to article 2 of the Regulations, the secretariat sought interpretation from the Board, with regard to the scope of the 2006 decision on certain specific situations. Subject to the clarification of the Board, the secretariat was to decide on the pending individual cases (currently about 20), including formal appeals, without submitting those on a case-by-case basis to the Standing Committee of the Board.

327. The amended article 24 (a) came into effect on 1 April 2007 and reads:

> "A participant re-entering the Fund on or after 1 April 2007, who previously had not, or could not have, opted for a periodic retirement benefit following his or her separation from service, may, within one year of the recommencement of participation, elect to restore his or her most recent period of prior contributory service. Any participant in active service who re-entered the Fund before 1 April 2007 and was previously ineligible to elect to restore prior contributory service owing to the length of such prior service, may now do so by an election to that effect made before 1 April 2008."

328. From the inquiries or appeals received, the following categories of issues had been identified:

(a) *Statutory time limit for applications*. The amended article had been construed by some participants as offering them a renewed opportunity to exercise their right to restore a previous period of contributory service. It was the opinion of the Fund's secretariat that participants who had previously been eligible to exercise their right to restore, but who had failed to do so within a set, one-year, time limit had not been offered another opportunity to restore their prior contributory service;

(b) *Limitation to the most recent period of participation*. Participants who had more than one previous participation had claimed that limiting restoration to the

"most recent prior contributory service" hindered their rights, especially when the latest participation had been for a short period of time, whereas the earlier contributory service had been longer. The secretariat was of the opinion that the participants who had been in active service and those who had rejoined the Fund after 1 April 2007 were to be treated equally. That meant that the elimination of the limitation on the right to restoration had not removed the restriction that only the most recent period of contributory service could be restored;

(c) *Limitation on the type of benefit giving rise to the option to restore.* Some participants had requested application of the amendment in cases where upon conclusion of a prior period of participation in the Fund, a participant either had opted for a deferred retirement benefit (full or reduced, the latter with a commutation to a lump sum) or had been deemed to have opted for a deferred retirement benefit pursuant to article 32 of the Regulations of the Fund. The secretariat's position was that the Board's decision in 2006 covered only those UNJSPF participants who had received a withdrawal settlement and that it did not cover those who had elected a periodic retirement benefit, whether deferred benefit (full or partial) or other. Furthermore, former participants who had not made a benefit election, and who had therefore been deemed to have elected a deferred benefit, were to be treated the same way as those who had elected a deferred benefit.

329. **In accordance with article 2 of the Regulations of the Fund, the Board decided that:**

(a) **The revision of article 24 did not offer a new opportunity to restore to those who had earlier failed to submit their request for restoration within a statutory one-year deadline;**

(b) **There was no rationale why the participants who were in active service and those who rejoined the Fund after 1 April 2007 would be treated differently; accordingly, both groups were to be treated equally;**

(c) **The elimination of the limitation on the right to restoration based on the length of prior contributory service did not remove the restriction that only the most recent period of contributory service could be restored;**

(d) **The elimination of the limitation on the right to restoration, based on years of prior service, did not cover only those UNJSPF participants who had received a withdrawal settlement, but also those who had elected a deferred retirement benefit (full or partial) provided that they were not in receipt of period benefit payment of their deferred benefit at the time of an application;**

(e) **Former participants who had not made a benefit election and who were therefore deemed to have elected the deferred benefit were to be treated the same way as those who had elected a deferred benefit.**

330. **The Board noted that the above interpretation was not based on the cost of the measure but on the intention of the legislators. It asked the Fund's secretariat to submit a revised regulation (technical amendment), which captured the above decision, for the formal approval of the General Assembly. The Board advised that all participants should be informed of that interpretation and that the deadline for applications for those who had selected a deferred benefit during the period of 1 January 1983 and 31 March 2007 should be extended to 1 April 2009. Furthermore, the Board noted that the**

Secretary/CEO had confirmed that he would apply the Board's decision to the pending individual cases, including appeals, and notify the participants accordingly. The participants who were not satisfied had a right to appeal the decision to the United Nations Administrative Tribunal in accordance with article 48 of the Regulations of the Fund.

Chapter X
Other matters

A. Report of the 190th meeting of the Standing Committee

331. The Board approved the minutes of the 190th meeting of the Standing Committee, held in July 2007, during the fifty-fourth session of the Pension Board.

B. United Nations Administrative Tribunal judgements of interest to the Board: reform of the internal justice system of the United Nations

332. In a note to the Board the Secretary/CEO provided information on four recent United Nations Administrative Tribunal judgements in cases where the Pension Board had been the respondent. In all these cases, the Tribunal had upheld the decision of the Secretary/CEO and the Standing Committee:

(a) *Facchin versus United Nations Joint Staff Pension Board* (*Case No. 1433; Judgement No. 1356*). Determination of whether the withdrawal settlement amount paid by UNJSPF to the applicant was the correct amount to which the applicant was entitled. The Tribunal noted that the Fund was fully entitled to correct its mistake in an estimate letter and that the applicant had failed to prove any arbitrariness or improper motivation;

(b) *Gonzalez versus United Nations Joint Staff Pension Board* (*Case No. 1441; Judgement No. 1363*). Determination of whether the calculation method followed to establish the applicant's retirement benefit was correct. Specifically, the applicant had contested the accumulation rates applied to his years of contributory service under article 28 of the Regulations of the Fund. The Tribunal reiterated its position as stated in Judgement No. 524 (Stein) that "conditional right to restoration ... by no means creates or implies the existence of a right with respect to rates of accumulation applicable to potential service in future". The Tribunal concluded that two rates for accumulation had been correctly applied by the Fund to the two different contributory service periods of the applicant that were not linked or considered continuous;

(c) *Harbi versus United Nations Joint Staff Pension Board* (*Case No. 1409; Judgement No. 1332*). Determination of whether the applicant, a dual citizen of Algeria and France, was to be recognized as the surviving spouse of a beneficiary who was an Algerian national residing in France and who divorced the applicant in France under French law. The Tribunal did not find the case receivable; it rejected it in its entirety and did not comment on the merits of the case;

(d) *Baldwin versus United Nations Joint Staff Pension Board* (*Case No. 1331; Judgement No. 1375*). A revision and interpretation of an earlier Judgement No. 1234. The Tribunal rejected the applicant's claim in its entirety.

333. Additionally, the Secretary/CEO provided information on the reform of the internal justice system of the United Nations and its funds and programmes with respect to employment grievances. As the United Nations was in the process of introducing a new system of administration of justice as at 1 January 2009, the question arose as to whether the United Nations Appeals Tribunal, acting as an

appellate administrative tribunal, would also continue to receive applications with respect to decisions made by the Pension Board. This jurisdiction was based on article 14 of the current statute of the United Nations Administrative Tribunal. The Fund's position on retaining this jurisdiction over pension disputes was brought to the Board's attention. Moreover, the Board was advised that, should there be significant or substantive changes to the statute of the Appeals Tribunal, or to other conditions under which the Tribunal would exercise jurisdiction over UNJSPF participants or other applicants, as defined in article 48 of the Regulations of the Fund, the matter could require negotiations with the UNJSPF member organizations and involve changes to the Regulations. **The Board took note of the above decisions of the Administrative Tribunal as well as of the information pertaining to the new system of administration of justice of the United Nations.**

C. Application for membership in the Fund

334. The Secretary/CEO informed the Pension Board that the Chairman of the Management Committee of the Special Tribunal for Lebanon had submitted a letter dated 15 May 2008, on behalf of the Tribunal, applying for membership in the UNJSPF.

335. The Secretary/CEO reminded the Board of the requirements for an international organization to be admitted to membership in the UNJSPF, which are set out in article 3, paragraphs (b) and (c) of the Fund's Regulations, and which might be summarized in three categories, all of which must be satisfied by the entity seeking to become a UNJSPF member organization; thus the organization must:

(a) Be a specialized agency referred to in the Charter of the United Nations or an international intergovernmental organization;

(b) Participate in the United Nations common system of salaries and other conditions of service;

(c) Accept the Fund's Regulations and agree with the Pension Board on the conditions for its admission to UNJSPF membership.

336. The Secretary/CEO informed the Board that as per the information received from the Special Tribunal for Lebanon, it could be noted that the Tribunal had been established pursuant to a Security Council resolution that made specific reference to a bilateral agreement between the United Nations and Lebanon. The Tribunal would have jurisdiction over persons responsible for certain attacks on political figures in Lebanon that had been committed during a defined timespan and that it would function for a limited period (three years, but open to extension). It could also be noted that the Tribunal would have its headquarters in the Netherlands.

337. The Tribunal's Management Committee was currently composed of representatives of the Governments of Lebanon, the Netherlands and four other States that were significant financial contributors to the Tribunal, namely, France, Germany, the United Kingdom and the United States of America. The privileges and immunities of the Tribunal and its staff had been fully recognized by Lebanon and the Netherlands.

338. The staff of some other ad hoc international tribunals established under the auspices of the Security Council, such as those for the former Yugoslavia and

Rwanda, had been UNJSPF participants under the overall United Nations "umbrella" as they were considered United Nations staff members. However, in the case of the Special Tribunal for Lebanon, only the Registrar of the Tribunal had the status of a United Nations staff member. Accordingly, as it wished to secure for its staff the right to UNJSPF participation, the Special Tribunal for Lebanon had no option but to apply to join the UNJSPF as a separate member organization.

339. The Secretary/CEO informed the Board that the application by the Special Tribunal for Lebanon for UNJSPF membership raised some unique issues that had not been addressed previously by the Board and the General Assembly and that required the consideration of the Board: the Tribunal was an entity that was established for a single purpose; the organization would only be in existence for a limited period; it was established through a bilateral agreement between the United Nations and one Member State (Lebanon) and its Management Committee was composed of representatives of six Member States; and the privileges and immunities of the Special Tribunal for Lebanon and its staff had been fully recognized by only two Member States (Lebanon and the Netherlands).

340. As for the participation of the Special Tribunal for Lebanon in the United Nations common system of salaries and allowances and other conditions of service, the Fund had received letters from both the Chairman of the Management Committee and the Registrar of the Tribunal that confirmed unequivocally that it would follow the United Nations common system for salaries, allowances and other conditions of service.

341. The Tribunal also communicated to the Fund in the final operative paragraph of its application for UNJSPF membership:

> "As required under article 3 of the UNJSPF Regulations, I [the Chairman of the Management Committee of the Special Tribunal for Lebanon] can confirm on behalf of the Special Tribunal that its Management Committee has agreed to: (i) accept the UNJSPF Regulations; (ii) negotiate an agreement with the Pension Board as to the conditions which shall govern its admission; and (iii) accept the jurisdiction of the Administrative Tribunal of the United Nations for claims alleging non-observance of the UNJSPF Regulations."

342. The Board considered the application and requested clarifications on the matter regarding the international organization nature of the Tribunal, its conformity with the United Nations common system of salaries and the estimated number of staff, all of which were provided by representatives of the Management Committee of the Special Tribunal for Lebanon and of the Office of Legal Affairs, who were present via video-teleconference from the Fund's office in New York, as well as by the Chairman of the Board.

343. **The Board decided to make an affirmative recommendation to the General Assembly for the admission of the Special Tribunal for Lebanon to membership in the UNJSPF, effective 1 January 2009, conditional on the Secretary/CEO confirming to the Assembly that the Tribunal followed the United Nations common system of salaries and allowances and other conditions of service, as required in article 3 (b) of the Regulations of the Fund.**

D. Election of members of the Standing Committee (Rules of Procedure, rule B.1)

344. There was no meeting of the Standing Committee during the Board's fifty-fifth session.

E. Reappointment of the Deputy Secretary/Deputy CEO of the UNJSPF

345. The Board considered the status of the Deputy Secretary/Deputy CEO, whose three-year term, which had commenced on 1 January 2006, was due to expire on 31 December 2008. During its discussion, the Board considered a proposal to align the terms of appointment of the Deputy Secretary/Deputy CEO and that of the Secretary/CEO while providing for some overlap.

346. **The Board agreed, after discussing the issue with the CEO, to recommend to the Secretary-General that the incumbent Deputy Secretary/Deputy CEO be reappointed for a five-year term, to commence on 1 January 2009.**

F. Venue and date of the fifty-sixth session of the Pension Board

347. The Secretary/CEO recalled the long-standing pattern of alternating between meeting in New York during odd-numbered years and meeting in other locations during even-numbered years. The main agenda items before the Board in 2009 would be the proposed budget of the Fund for the biennium 2010-2011 and the actuarial assumptions and methodology to be used for the thirtieth actuarial valuation of the Fund, to be carried out as at 31 December 2009. **In view of the anticipated agenda and the Board's decision that efforts should be made to limit its agenda and duration, especially in the odd-numbered years when considering the budget of the Fund, the Board decided to meet for five working days in 2009, from 13 to 17 July. Because of the construction work being done under the Capital Master Plan at the Headquarters, it was decided that the next session of the Board would be held in either Geneva or Vienna, subject to conference room availability. The Board also accepted the invitation from the International Maritime Organization to host the Board's fifty-seventh session in London.**

G. Other business

Situation of former participants in the Fund from the former Union of Soviet Socialist Republics, the Ukrainian Soviet Socialist Republic and the Byelorussian Soviet Socialist Republic

348. FAFICS submitted a conference room paper regarding the situation of former participants in the Fund from the former Union of Soviet Socialist Republics, the Ukrainian Soviet Socialist Republic and the Byelorussian Soviet Socialist Republic under "Other business".

349. **The Board took note of the information provided by FAFICS and also took note of the regret of FAFICS regarding the lack of progress on the issue.**

Annex I

Member organizations of the United Nations Joint Staff Pension Fund

The member organizations of the United Nations Joint Staff Pension Fund are the United Nations and the following:

European and Mediterranean Plant Protection Organization

Food and Agriculture Organization of the United Nations

International Atomic Energy Agency

International Centre for Genetic Engineering and Biotechnology

International Centre for the Study of the Preservation and the Restoration of Cultural Property

International Civil Aviation Organization

International Criminal Court

International Fund for Agricultural Development

International Labour Organization

International Maritime Organization

International Organization for Migration

International Seabed Authority

International Telecommunication Union

International Tribunal for the Law of the Sea

Inter-Parliamentary Union

United Nations Educational, Scientific and Cultural Organization

United Nations Industrial Development Organization

World Health Organization

World Intellectual Property Organization

World Meteorological Organization

World Tourism Organization

Annex II

Membership of the Board and attendance at the fifty-fifth session

1. The following members and alternate members were accredited by the staff pension committees of the member organizations of the United Nations Joint Staff Pension Fund, in accordance with the rules of procedure:

Representing	*Members*	*Alternates*
United Nations		
General Assembly	K. Akimoto (Japan)	A. A. Chaudhry[a] (Pakistan)
General Assembly	V. M. González-Posse (Argentina)	A. Kovalenko (Russian Federation)
General Assembly	G. Kuentzle (Germany)	L. Mazemo (Zimbabwe)
General Assembly	P. R. O. Owade (Kenya)	T. Repasch (United States of America)
Secretary-General	A. Kane[a] (Germany)	R. Pawlik (Germany)
Secretary-General	C. Pollard (Guyana)	S. Van Buerle (Australia)
Secretary-General	K. Matsuura-Mueller (Japan)	
Secretary-General	J. Pozenel[b] (United States of America)	
Participants	A. Adeniyi[c] (Nigeria)	
Participants	C. Santos-Tejada (Ecuador)	
Participants	A. K. Lakhanpal (India)	
Participants	S. Liu (China)	
World Health Organization		
Governing body	J. Larivière[d] (Canada)	A. J. Mohamed (Oman)
Executive head	C. Hennetier (France)	S. Frahler (United States of America)
Participants	B. Fontaine (United States of America)	E. R. Chacon (Guatemala)
International Labour Organization		
Governing body	D. Willers (Germany)	
Executive head	S. Tabusa (Japan)	

Representing	*Members*	*Alternates*
United Nations Educational, Scientific and Cultural Organization		
Executive head	G. Engida (Ethiopia)	
Participants	L. Ruprecht (Canada)	
Food and Agriculture Organization of the United Nations		
Governing body	M. Mottin (Brazil)	L. Graffenried[a] (United States of America)
Executive head	N. Nelson (10 and 11 July) (United States of America)	C. Nana Yaa Nikoi (Ghana)
	A. Alonzi (14-18 July) (United Kingdom of Great Britain and Northern Ireland)	
Participants	M. Pace (Italy)	J. A. Heine (United States of America)
United Nations Industrial Development Organization		
Governing body	D. Best (Switzerland)	G. Polastri-Amat (Ecuador)
International Civil Aviation Organization		
Governing body	N. Zaidi[a] (India)	
Participants	C. Panetta (Canada)	G. Ercolani (Canada)
International Telecommunication Union		
Executive head	R. Barr[c] (Canada)	
World Meteorological Organization		
Participants	S. Hansen-Vargas (United States of America)	
International Maritime Organization		
Governing body	W. Azuh (Nigeria)	J. Francis (Bahamas)
International Fund for Agricultural Development		
Executive head	T. Panuccio (United States of America)	P. Henley (United Kingdom of Great Britain and Northern Ireland)
International Atomic Energy Agency		
Governing body	A. Wright (South Africa)	
Participants	D. Neal (United States of America)	

Representing	*Members*	*Alternates*
World Intellectual Property Organization		
Executive head	A. Bishop (Canada)	
Participants	Q.-L. Sim (Canada)	

2. The following attended the session of the Board as representatives, observers or secretaries of staff pension committees, in accordance with the rules of procedure:

Representatives	*Organizations*	*Representing*
P. Sayour	ILO	Participants
B. Figaji	UNESCO	Governing body
M.-O. Dorer	UNIDO	Participants
J. Forest	ITU	Governing body
N. J. Sanou	ITU	Participants
C. Dahoui	IMO	Executive head
M. Tun	IMO	Participants
A. Zimmermann	IFAD	Governing body
A. Saitto	IFAD	Participants
D. Northey	IAEA	Executive head
R. Roul	WIPO	Governing body
D. Ripandelli	ICGEB	Executive head
M. Moriconi	ICCROM	Executive head
J. Piper	IPU	Executive head
W. Zyss	FAFICS	Pensioners
A. Castellanos del Corral	FAFICS	Pensioners
R. Eggleston	FAFICS	Pensioners
G. Schramek	FAFICS	Pensioners
M. La Fuente (Alternate)	FAFICS	Pensioners
S. Janakiram (Alternate)[a]	FAFICS	Pensioners

Observers	*Organization*
J. McGhie	Vice-Chairman, Audit Committee
D. MacFarlane	FICSA
P. Barret-Reid	CCISUA
R. Lalli	CEB
E. Wilcox	Special Tribunal for Lebanon[f]
B. Benoit-Landale	Office of Legal Affairs[f]

Secretaries	*Staff pension committees*
B. Sperandio de Llull	WHO
C. McGarry	ILO
M. Ghelaw	UNESCO
N. Gangi	FAO
P. Nenonen	UNIDO
M. Wilson	ITU
P. Geddes	WMO
A. Nathoo	IMO
J. Sagayadan-Sisto	IFAD
R. Sabat	IAEA
T. Dayer	WIPO
C. Gallagher	ICAO
F. Misiti	ICGEB
B. Pisani	ICCROM
J. Finn	IOM
M. Kashou	ICC

3. The following attended all or part of the session of the Board:

Committee of Actuaries

D. Latulippe, Vice-Chairman

H. Pérez Montás, Rapporteur

Consulting actuary

J. McGrath, Buck Consultants

Medical consultant[f]

B. Davey

Board of Auditors[f]

I. Vanker

P. Serote

L. Ravhuhali

Office of Internal Oversight Services[f]

W. Petersen

A. Charles-Browne

Investments Committee

W. J. McDonough, Chairman

M. Arikawa

E. Cárdenas[a]

F. Chico Pardo

M. Dhar[f]

A. Kassow

N. A. Kirdar[a]

I. Pictet

H. Ploix

Assistant Secretary-General, Controller

Representative of the Secretary-General for the Investments of the Fund

W. Sach

Investment Management Service

S. Bishopric, Director

Z. Tangonan

E. Hunt

S. Losi

T. Shindo

K. Kessaci

4. B. Cochemé and S. Arvizu (Secretary/CEO and Deputy Secretary/Deputy CEO of the Board) served as Secretary and Deputy Secretary for the session, with the assistance of A. Blythe, P. Dooley, F. DeTurris, J. Sareva and S. Alirzayeva (by videoconference).

Notes

[a] Did not attend the session.

[b] Chairman.

[c] First Vice-Chairman.

[d] Second Vice-Chairman.

[e] Rapporteur.

[f] By videoconference.

Annex III

Statement of the actuarial sufficiency, as at 31 December 2007, of the United Nations Joint Staff Pension Fund to meet the liabilities under article 26 of the Regulations

1. In the report of the twenty-ninth actuarial valuation of the United Nations Joint Staff Pension Fund, the consulting actuary has assessed the actuarial sufficiency of the Fund, for purposes of determining whether there is a requirement for deficiency payments by the member organizations under article 26 of the Regulations of the Fund. The assessment as at 31 December 2007 was based on participant and asset information submitted by the secretariat of the Fund and on the Regulations in effect on that date.

2. The demographic and other actuarial assumptions used, including a 7.5 per cent discount rate, were those adopted by the Pension Board at its fifty-fourth session, in 2007, except that future new participants were not taken into account and no future salary growth was assumed.

3. The liabilities were calculated on a plan termination methodology. Under that methodology, the accrued entitlements of active participants were measured on the basis of their selecting the benefit of highest actuarial value available to them, assuming termination of employment on the valuation date. The liabilities for pensioners and their beneficiaries were valued on the basis of their accrued pension entitlements as at the valuation date. For purposes of demonstrating sufficiency under article 26 of the Regulations, no provision was made for pension adjustments subsequent to 31 December 2007.

4. **All calculations were performed by the consulting actuary in accordance with established actuarial principles and practices.**

5. **The results of the calculations are set forth in the table below:**

Actuarial sufficiency of the Fund as at 31 December 2007

(Millions of United States dollars)

Item	*Amount*
Actuarial value of assets[a]	35 620.4
Actuarial value of accrued benefit entitlements	24 242.9
Surplus	**11 377.5**

[a] Five-year moving average market value methodology, as adopted by the Pension Board for determining the actuarial value of the assets.

6. As indicated in the table above, the actuarial value of assets exceeds the actuarial value of all accrued benefit entitlements under the Fund, based on the Regulations of the Fund in effect on the valuation date. **Accordingly, there is no requirement, as at 31 December 2007, for deficiency payments under article 26 of the Regulations of the Fund.** The market value of assets as at 31 December 2007 is $41,906.4 million, or $6,286.0 million greater than the actuarial value of assets as at that date. Therefore, the surplus shown above would be larger based on a comparison with the market value of assets.

Annex IV

Statement of actuarial position of the United Nations Joint Staff Pension Fund as at 31 December 2007

Introduction

1. The actuarial valuation as at 31 December 2007 was performed on a range of economic assumptions regarding future investment earnings and inflation. In addition, four sets of participant growth assumptions were used. The remaining actuarial assumptions, which are of a demographic nature, were derived on the basis of the emerging experience of the Fund, in accordance with sound actuarial principles. The assumptions used in the valuation were those adopted by the United Nations Joint Staff Pension Fund at its fifty-fourth session, in 2007, based on the recommendations of the Committee of Actuaries.

Actuarial position of the Fund as of 31 December 2007

2. At its meetings in June 2008, the Committee of Actuaries reviewed the results of the actuarial valuation as at 31 December 2007, which had been carried out by the consulting actuary. Based on the results of the regular valuation and after consideration of further relevant indicators and calculations, the Committee of Actuaries and the consulting actuary were of the opinion that the present contribution rate of 23.7 per cent of pensionable remuneration was sufficient to meet the benefit requirements under the plan and would be reviewed at the time of the next actuarial valuation, as at 31 December 2009.

Annex V

Membership of the Committee of Actuaries

Member	*Representing*
B. K. Y. S. Yen (Mauritius)	Region I (African States)
T. Nakada (Japan)	Region II (Asian States)
J. Král (Czech Republic)	Region III (Eastern European States)
H. Pérez Montás (Dominican Republic)	Region IV (Latin America and the Caribbean)
D. Latulippe (Canada)	Region V (Western European and Other States)

Ad hoc member	*Representing*
C. L. Nathal (Mexico)	Region IV (Latin America and the Caribbean)
K. Heubeck (Germany)	Region V (Western European and Other States)

Annex VI

Membership of the Investments Committee

Members

M. Arikawa (Japan)

E. J. Cárdenas (Argentina)

F. G. Chico Pardo (Mexico)

M. Dhar (India)

A. Kassow (Germany)

N. A. Kirdar (Iraq)

W. J. McDonough (United States of America)

H. Ploix (France)

Ad hoc member

I. Pictet (Switzerland)

Annex VII

Statistics on the operations of the Fund for the biennium 2006-2007

A. Number of participants as at 31 December 2007

Member organization	*Participants as at 31 December 2005*	*New entrants*	*Transfer*		*Separations*	*Participants as at 31 December 2007*	*Percentage increase/(decrease)*
			In	*Out*			
United Nations	64 092	22 673	330	397	12 123	74 575	16.4
ILO	3 330	736	44	80	664	3 366	1.1
FAO	5 918	868	118	100	1 069	5 735	-3.1
UNESCO	2 508	351	23	28	328	2 526	0.7
WHO	9 932	1 995	175	177	1 768	10 157	2.3
ICAO	826	112	11	2	152	795	-3.8
WMO	302	73	22	14	51	332	9.9
IAEA	2 261	292	20	14	286	2 273	0.5
IMO	343	42	7	5	50	337	-1.7
ITU	871	73	7	6	102	843	-3.2
WIPO	1 166	52	8	6	86	1 134	-2.7
IFAD	506	78	10	8	67	519	2.6
ICCROM	39	1	2	—	4	38	-2.6
EPPO	11	4	—	—	3	12	9.1
ICGEB	171	17	—	1	10	177	3.5
WTO/Tourism	90	12	1	—	3	100	11.1
ITLOS	36	4	1	3	2	36	0.0
ISA	30	4	—	—	5	29	-3.3
UNIDO	783	110	12	16	130	759	-3.1
ICC	431	302	78	18	74	719	66.8
IPU	37	7	2	1	—	45	21.6
IOM	—	2 054	8	3	—	2 059	N/A
Total	**93 683**	**29 860**	**879**	**879**	**16 977**	**106 566**	**13.8**

B. Benefits awarded to beneficiaries during the biennium 2006-2007

Member organization	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement: Under 5 years	Withdrawal settlement: Over 5 years	Child's benefit	Widow's and widower's benefit	Other death benefit	Disability benefit	Secondary dependant's benefit	Transfer under agreements	Total
United Nations	1 341	761	243	7 480	1 635	1 358	170	30	96	2	4	**13 120**
ILO	104	46	24	404	63	79	8	2	10	—	—	**740**
FAO	239	124	27	533	117	113	12	5	8	—	2	**1 180**
UNESCO	138	53	6	104	18	66	6	—	2	—	—	**393**
WHO	266	114	44	1 063	208	268	26	4	13	—	4	**2 010**
ICAO	64	19	9	44	15	23	1	—	—	—	—	**175**
WMO	12	4	1	27	3	5	3	—	1	—	—	**56**
IAEA	113	30	20	93	25	31	—	—	5	—	—	**317**
IMO	17	9	—	13	9	4	—	1	1	—	—	**54**
ITU	32	21	1	35	6	9	2	—	5	—	—	**111**
WIPO	34	9	1	23	17	10	—	—	2	—	—	**96**
IFAD	16	7	2	29	3	8	1	—	5	1	1	**73**
ICCROM	1	—	—	2	1	1	—	—	—	—	—	**5**
EPPO	2	—	—	1	—	1	—	—	—	—	—	**4**
ICGEB	—	1	—	5	3	—	1	—	—	—	—	**10**
WTO/Tourism	1	—	—	2	—	10	—	—	—	—	—	**13**
ITLOS	1	—	—	1	—	—	—	—	—	—	—	**2**
ISA	—	—	1	2	2	—	—	—	—	—	—	**5**
UNIDO	41	18	2	55	9	29	3	—	3	—	—	**160**
ICC	—	2	—	69	2	—	1	—	—	—	—	**74**
IPU	—	—	—	—	—	—	—	—	—	—	—	**—**
IOM	—	—	—	—	—	—	—	—	—	—	—	**—**

C. Analysis of periodic benefits during the biennium 2006-2007

Type of benefit	*Total as at 31 December 2005*	*New*	*Reinstatement*	*Benefits discontinued, resulting in award of survivor's benefit*	*Benefit type changes*	*All other benefits discontinued*	*Total as at 31 December 2007*
Retirement	17 992	2 422	1	(535)	1	(399)	19 482
Early retirement	12 392	1 218	3	(320)	(2)	(217)	13 074
Deferred retirement	6 656	381	—	(91)	—	(164)	6 782
Widow	8 363	201	2	907	—	(507)	8 966
Widower	560	33	—	75	—	(37)	631
Disability	1 015	151	1	(36)	(1)	(24)	1 106
Child	8 120	2 015	1	—	—	(2 135)	8 001
Secondary dependant	42	3	—	—	2	(5)	42
Total	**55 140**	**6 424**	**8**	—	—	**(3 488)**	**38 084**

Annex VIII

Audit opinion and financial statements and schedules for the biennium 2006-2007

A. Audit opinion

We have audited the accompanying financial statements of the United Nations Joint Staff Pension Fund comprising statements I to III, schedules 1 to 6 and the supporting notes, for the biennium ended 31 December 2007. These financial statements are the responsibility of the Chief Executive Officer of the Fund and the Representative of the Secretary-General for the Investments of the Fund. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Chief Executive Officer of the Fund and the Representative of the Secretary-General of the United Nations for the Investments of the Fund, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Pension Fund as at 31 December 2007 and the results of its operations and its cash flows for the period then ended, in accordance with the United Nations system accounting standards.

Furthermore, in our opinion, the transactions of the Pension Fund that have come to our notice or that we have tested as part of our audit have in all significant respects been in accordance with the Regulations and Rules of the Pension Fund and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the United Nations Joint Staff Pension Fund.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
(Chairman, United Nations Board of Auditors)

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Commission on Audit

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa
(Lead Auditor)

30 June 2008

B. Financial statements and schedules

Statement I

Statement of income and expenditure and change in principal of the Fund for the bienniums ended 31 December 2007 and 2005

	(United States dollars)			
	2006-2007		*2004-2005*	
Income				
Contributions (note 4)				
Participants:				
Regular contributions	1 020 639 897		863 081 630	
Contributions for validation	18 355 384		6 809 897	
Contributions for restoration	15 771 723		2 879 286	
Member organizations:				
Regular contributions	2 041 279 794		1 726 163 260	
Contributions for validation	36 707 864		10 156 885	
Contributions for participants transferred in under agreements	3 049 312		1 832 563	
Receipts of excess actuarial value over regular contributions	433 643	**3 136 237 617**	677 888	**2 611 601 409**
Investment income (schedule 2)				
Interest earned	1 143 674 668		822 891 517	
Dividends	953 029 725		715 873 210	
Real estate and related securities	303 032 189		336 122 445	
Net profit (loss) on sales of investments	4 768 769 980	**7 168 506 562**	2 534 744 227	**4 409 631 399**
Interest earned from operating banks		**9 359 594**		**3 897 601**
Other income (note 3)		**15 537 090**		**13 342 586**
Total income		**10 329 640 863**		**7 038 472 995**

Statement I (concluded)

	(United States dollars)			
	2006-2007		2004-2005	
Expenditure				
Payment of benefits				
Withdrawal settlements and full commutation of benefits	157 501 211		127 051 003	
Retirement benefits	1 516 364 342		1 277 011 278	
Early and deferred retirement benefits	1 078 186 987		932 247 285	
Disability benefits	78 784 372		66 594 000	
Death benefits	308 376 062		266 602 338	
Children's benefits	38 427 908		35 063 900	
Currency exchange adjustments	9 285 028		406 978	
Payments for participants transferred out under agreements	1 651 967	**3 188 577 877**	1 849 469	**2 706 826 251**
Administrative expenses (schedule 1, note 2)				
Administrative costs	55 455 137		56 083 515	
Investment costs chargeable to gross income from investments	43 165 446		44 169 091	
Audit costs	1 598 633	**100 219 216**	1 376 929	**101 629 535**
Emergency Fund		**71 769**		**59 184**
Total expenditure		**3 288 868 862**		**2 808 514 970**
Excess of income over expenditure		**7 040 772 001**		**4 229 958 025**
Prior year adjustments (note 5)		(21 623 456)		(57 635 643)
Net excess of income over expenditure		**7 019 148 545**		**4 172 322 382**
Principal of the Fund, beginning of biennium		23 564 271 285		19 391 948 903
Principal of the Fund, end of biennium		30 583 419 830		23 564 271 285
Change in principal of the Fund		**7 019 148 545**		**4 172 322 382**

The accompanying schedules and notes are an integral part of the financial statements.

Certified correct:

(*Signed*) Warren **Sach**
Assistant Secretary-General, Controller
Representative of the Secretary-General for the
Investments of the United Nations Joint Staff Pension Fund

(*Signed*) Bernard **Cochemé**
Chief Executive Officer
United Nations Joint Staff Pension Fund

Statement II

Statement of assets, liabilities and principal of the Fund as at 31 December 2007 and 2005

	(United States dollars)			
	2007		*2005*	
Assets				
Cash and term deposits		160 955 892		286 794 023
Investments (schedules 2 and 3)				
Temporary investments — at cost (market value: $1,075,931,588)	1 066 948 010		1 589 758 377	
Bonds — at cost (market value: $13,577,005,263)	12 302 983 936		8 393 199 995	
Stocks and convertible bonds — at cost (market value: $25,018,260,212)	15 545 659 138		12 111 904 492	
Real estate and related securities — at cost (market value: $1,710,032,607)	1 142 657 400	30 058 248 484	926 121 857	23 020 984 721
Accounts receivable				
Contributions receivable from member organizations	116 852 552		85 859 097	
Receivable from investments (schedule 4)	82 502 613		225 354	
Accrued income from investments (schedule 5)	228 663 537		169 998 668	
Foreign tax accounts receivable (schedule 6)	40 383 884		18 134 051	
Provision for historical taxes (schedule 6A, note 6)	(10 157 352)		—	
Other	4 296 764	462 541 998	25 183 407	299 400 577
Prepaid benefits		17 735 988		17 949 758
Total assets		**30 699 482 362**		**23 625 129 079**
Liabilities				
Accounts payable				
Benefits payable		26 172 864		24 136 743
Payable for securities purchased		81 947 358		6 025 427
Other		7 942 310		30 695 624
Total liabilities		**116 062 532**		**60 857 794**
Principal of the Fund		**30 583 419 830**		**23 564 271 285**
Total		**30 699 482 362**		**23 625 129 079**

The accompanying schedules and notes are an integral part of the financial statements.

Certified correct:

(*Signed*) Warren **Sach**
Assistant Secretary-General, Controller
Representative of the Secretary-General for the
Investments of the United Nations Joint Staff Pension Fund

(*Signed*) Bernard **Cochemé**
Chief Executive Officer
United Nations Joint Staff Pension Fund

Statement III

Statement of cash flow for the bienniums ended 31 December 2007 and 2005

	(United States dollars)	
	2006-2007	*2004-2005*
Cash flows from operating activities		
Net excess of income over expenditure	7 019 148 545	4 172 322 382
Increase in contributions receivable	(30 993 455)	(23 582 960)
Decrease (increase) in other accounts receivable	20 886 643	(12 636 946)
Decrease (increase) in prepaid benefits	213 770	(8 060 479)
Increase (decrease) in benefits payable	2 036 122	(17 749 273)
(Decrease) increase in other accounts payable	(22 753 314)	18 519 046
Net cash from operating activities	**6 988 538 311**	**4 128 811 770**
Cash flows from investment activities		
Increase in cost of investments	(7 037 263 763)	(4 248 348 941)
(Increase) decrease in investments receivable	(153 034 610)	17 681 000
Increase in payable for securities purchased	75 921 931	6 025 427
Net cash used in investment activities	**(7 114 376 442)**	**(4 224 642 514)**
Net cash from activities	**(125 838 131)**	**(95 830 744)**
Cash and term deposits, beginning of biennium	286 794 023	382 624 767
Cash and term deposits, end of biennium	160 955 892	286 794 023
Net increase in cash and term deposits	**(125 838 131)**	**(95 830 744)**

The accompanying schedules and notes are an integral part of the financial statements.

SCHEDULE 1
Status of appropriations for the biennium 2006-2007 in relation to administrative expenses for the bienniums 2006-2007 and 2004-2005

(Thousands of United States dollars)

	Revised appropriations 2006-2007			Expenditure 2006-2007			Expenditure 2004-2005		
	UNJSPF	United Nations	Total	UNJSPF	United Nations	Total	UNJSPF	United Nations	Total
A. ADMINISTRATIVE COSTS									
Established posts	**19 237.0**	**9 618.6**	**28 855.6**	**19 207.7**	**9 603.8**	**28 811.5**	**16 431.2**	**8 215.6**	**24 646.8**
Other staff costs	**962.1**	**397.3**	**1 359.4**	**873.9**	**437.0**	**1 310.9**	**1 008.5**	**504.3**	**1 512.8**
Consultants	—	—	—	—	—	—	—	—	—
Travel of staff	351.4	—	351.4	347.3	—	347.3	310.7	—	310.7
Committee of actuaries	212.0	—	212.0	167.1	—	167.1	125.8	—	125.8
Travel	**563.4**	—	**563.4**	**514.4**	—	**514.4**	**436.5**	—	**436.5**
Training[a]	—	—	—	**154.8**	—	**154.8**	**63.4**	—	**63.4**
International Computing Centre services	4 277.8	2 138.9	6 416.7	5 440.0	1 953.2	7 393.2	3 934.1	1 544.0	5 478.1
Contractual services	4 870.8	571.6	5 442.4	3 943.1	546.8	4 489.9	3 688.6	557.7	4 246.3
Contractual services	**9 148.6**	**2 710.5**	**11 859.1**	**9 383.1**	**2 500.0**	**11 883.1**	**7 622.7**	**2 101.7**	**9 724.4**
Hospitality	**1.1**	—	**1.1**	**3.3**	—	**3.3**	**4.0**	—	**4.0**
Rental and maintenance of premises[b]	4 828.2	2 414.1	7 242.3	4 841.8	2 420.9	7 262.7	8 592.0	1 260.7	9 852.7
Rental and maintenance of equipment	46.3	23.1	69.4	39.9	20.0	59.9	43.1	21.6	64.7
Communications services	143.6	71.8	215.4	99.5	49.7	149.2	266.8	17.2	284.0
Operating expenses	311.4	—	311.4	299.6	—	299.6	116.3	—	116.3
Bank charges	1 925.7	—	1 925.7	2 009.2	—	2 009.2	2 667.5	—	2 667.5
General operating expenses	**7 255.2**	**2 509.0**	**9 764.2**	**7 290.0**	**2 490.6**	**9 780.6**	**11 685.7**	**1 299.5**	**12 985.2**
Supplies and materials	120.5	35.4	155.9	354.2	18.9	373.1	107.2	53.6	160.8
Furniture and equipment	2 942.7	791.9	3 734.6	1 954.0	669.4	2 623.4	5 161.0	937.6	6 098.6
Supplies, furniture and equipment	**3 063.2**	**827.3**	**3 890.5**	**2 308.2**	**688.3**	**2 996.5**	**5 268.2**	**991.2**	**6 259.4**
Total administrative costs	**40 230.6**	**16 062.7**	**56 293.3**	**39 735.4**	**15 719.7**	**55 455.1**	**42 520.2**	**13 112.3**	**55 632.5**

SCHEDULE 1 (continued)

(Thousands of United States dollars)

	Revised appropriations 2006-2007			Expenditure 2006-2007			Expenditure 2004-2005		
	UNJSPF	United Nations	Total	UNJSPF	United Nations	Total	UNJSPF	United Nations	Total
B. INVESTMENT COSTS									
Established posts	**7 410.3**	—	**7 410.3**	**7 277.3**	—	**7 277.3**	**6 110.6**	—	**6 110.6**
Other staff costs	**142.3**	—	**142.3**	**44.5**	—	**44.5**	**141.4**	—	**141.4**
Consultants	**1 221.4**	—	**1 221.4**	**869.4**	—	**869.4**	**1 013.8**	—	**1 013.8**
Travel of staff	350.0	—	350.0	241.8	—	241.8	123.9	—	123.9
Investment Committee	380.7	—	380.7	335.1	—	335.1	439.9	—	439.9
Travel	**730.7**	—	**730.7**	**576.9**	—	**576.9**	**563.8**	—	**563.8**
Training[a]	—	—	—	**33.6**	—	**33.6**	**52.1**	—	**52.1**
Electronic data-processing and other contractual services	344.0	—	344.0	248.4	—	248.4	547.0	—	547.0
External legal consultant	335.0	—	335.0	382.5	—	382.5	—	—	—
Investment reference services	1 123.8	—	1 123.8	944.1	—	944.1	914.3	—	914.3
Advisory and custodial fees	32 562.3	—	32 562.3	30 191.8	—	30 191.8	32 241.0	—	32 241.0
Contractual services	**34 365.1**	—	**34 365.1**	**31 766.8**	—	**31 766.8**	**33 702.3**	—	**33 702.3**
Hospitality	**12.3**	—	**12.3**	**9.5**	—	**9.5**	**11.7**	—	**11.7**
Rental and maintenance of premises[b]	1 223.3	—	1 223.3	1 364.4	—	1 364.4	2 015.9	—	2 015.9
Rental and maintenance of equipment	17.0	—	17.0	14.5	—	14.5	—	—	—
Communications services	282.3	—	282.3	375.4	—	375.4	170.4	—	170.4
Operating expenses	337.8	—	337.8	328.5	—	328.5	23.1	—	23.1
General operating expenses	**1 860.4**	—	**1 860.4**	**2 082.8**	—	**2 082.8**	**2 209.4**	—	**2 209.4**
Supplies and materials	84.5	—	84.5	161.4	—	161.4	72.8	—	72.8
Furniture and equipment	485.5	—	485.5	343.3	—	343.3	291.2	—	291.2
Supplies, furniture and equipment	**570.0**	—	**570.0**	**504.7**	—	**504.7**	**364.0**	—	**364.0**
Total investment costs	**46 312.5**	—	**46 312.5**	**43 165.5**	—	**43 165.5**	**44 169.1**	—	**44 169.1**

SCHEDULE 1 (concluded)

(Thousands of United States dollars)

	Revised appropriations 2006-2007			Expenditure 2006-2007			Expenditure 2004-2005		
	UNJSPF	United Nations	Total	UNJSPF	United Nations	Total	UNJSPF	United Nations	Total
C. AUDIT COSTS									
External audit	**485.3**	**97.0**	**582.3**	**485.3**	**97.0**	**582.3**	**323.2**	**64.6**	**387.8**
Internal audit	**1 060.9**	**212.1**	**1 273.0**	**847.1**	**169.2**	**1 016.3**	**824.2**	**164.9**	**989.1**
Total audit costs	**1 546.2**	**309.1**	**1 855.3**	**1 332.4**	**266.2**	**1 598.6**	**1 147.4**	**229.5**	**1 376.9**
TOTAL ADMINISTRATIVE EXPENSES	**88 089.3**	**16 371.8**	**104 461.1**	**84 233.3**	**15 985.9**	**100 219.2**	**87 836.7**	**13 341.8**	**101 178.5**
D. INCOME									
Income from operations banks	—	—	—	**9 359.6**	—	**9 359.6**	**5 123.1**	—	**5 123.1**

[a] Provision for training in 2006-2007 is included under the category "Other staff costs" of the budget.
[b] Inclusive of expenditure recorded in the Fund's accounting system (Lawson) and charged against the Fund in 2006.

SCHEDULE 2

Summary statement of investments for the biennium 2006-2007 with comparative figures for the biennium 2004-2005

(Thousands of United States dollars)

Investments	Balance — at cost[a]		Income, 2006-2007		
	31 December 2007	31 December 2005	Profit or (loss) on sales	Dividends, interest or other income	Total
Bonds (United States dollars)	3 999 434	3 229 002	7 685	389 055	396 740
Stocks and convertible bonds (United States)	6 454 504	5 320 694	1 755 704	282 394	2 038 098
Bonds (other currencies)	8 303 549	5 164 198	260 567	599 650	860 217
Stocks and convertible bonds (other countries)	9 091 156	6 791 211	2 511 051	670 635	3 181 686
Real estate and related securities (United States and other countries)	1 142 657	926 122	156 428	303 032	459 460
Temporary investments (United States dollars)	457 449	1 589 758	1 752	118 247	119 999
Temporary investments (other currencies)	609 499	—	75 583	36 723	112 306
Total portfolio	30 058 248	23 020 985	4 768 770	2 399 736	7 168 506

[a] Cost value adjusted to reflect year-end adjustments.

SCHEDULE 3

Summary statement of cost and market value of investments as at 31 December 2007 with comparative figures as at 31 December 2005

(Thousands of United States dollars)

	31 December 2007			31 December 2005		
Investments	Cost[a]	Percentage of total cost value	Market value[a]	Cost[a]	Percentage of total cost value	Market value[a]
Bonds (United States dollars)	3 999 434	13.3	4 146 872	3 229 002	14.0	3 326 285
Stocks and convertible bonds (United States)	6 454 504	21.5	9 847 095	5 320 694	23.1	8 733 384
Bonds (other currencies)	8 303 549	27.6	9 430 133	5 164 198	22.5	5 758 808
Stocks and convertible bonds (other countries)	9 091 156	30.2	15 171 165	6 791 211	29.5	10 559 561
Real estate and related securities (United States and other countries)	1 142 657	3.8	1 710 033	926 122	4.0	1 461 084
Temporary investments (United States dollars)	457 449	1.5	457 748	1 589 758	6.9	1 589 152
Temporary investments (other currencies)	609 499	2.1	618 184	—	—	—
Total portfolio	30 058 248	100.0	41 381 230	23 020 985	100.0	31 428 274

[a] Cost and market values adjusted to reflect year-end adjustments.

SCHEDULE 4

Summary statement of accounts receivable from investments as at 31 December 2007 with comparative figures as at 31 December 2005

(United States dollars)

Accounts receivable	31 December 2007	31 December 2005
Bonds (United States dollars)	—	—
Stocks and convertible bonds (United States)	—	—
Bonds (other currencies)	—	—
Stocks and convertible bonds (other countries)	—	—
Real estate and related securities (United States and other countries)	555 255	225 354
Temporary investments (United States dollars)	81 947 358	—
Temporary investments (other currencies)	—	—
Total	82 502 613	225 354

SCHEDULE 5

Summary statement of accrued income from investments as at 31 December 2007 with comparative figures as at 31 December 2005

(United States dollars)

Accrued income	31 December 2007	31 December 2005
Bonds (United States dollars)	45 086 486	48 440 128
Stocks and convertible bonds (United States)	9 955 850	8 311 590
Bonds (other currencies)	150 348 355	101 038 303
Stocks and convertible bonds (other countries)	19 145 406	9 383 188
Real estate and related securities (United States and other countries)	3 229 807	2 289 002
Temporary investments (United States dollars)	715 802	319 520
Temporary investments (other currencies)	181 831	216 937
Total	228 663 537	169 998 668

SCHEDULE 6
Summary of foreign tax accounts receivable as at 31 December 2007

		Local currency						*Exchange rate in effect 31 December 2007*	*Equivalent in United States dollars*
		Prior to 2004	*2004*	*2005*	*2006*	*2007*	*Total*		
Australia	$A	—	—	—	—	5 407	5 407	1.1388873	4 748
Austria	€	—	—	—	—	885	885	0.6839711	1 294
Belgium	€	11 305	—	—	—	—	11 305	0.6839711	16 528
Brazil	Cr$	708 380	—	157 676	51 789	—	917 845	1.78	515 643
Czech Republic	CK	—	—	—	861 750	2 160 000	3 021 750	18.1861	166 157
Germany	€	—	—	—	3 477 356	5 214 818	8 692 174	0.6839711	12 708 394
Ireland	€	153 065	—	—	—	—	153 065	0.6839711	223 789
Italy	€	1 668 003	—	—	—	—	1 668 003	0.6839711	2 438 704
Kenya	K Sh	835 997	—	—	—	—	835 997	63.8	13 103
Malaysia	M$	3 879 013	—	2 473 792	2 334 896	2 689 557	11 377 258	3.307	3 440 356
	S$	748 129	—	—	—	—	748 129	1.43945	519 733
Mexico	MN$	341 399	—	—	—	—	341 399	10.9143	31 280
Philippines	P	955 148	—	—	—	—	955 148	41.275	23 141
Poland	Zl	—	—	535 040	—	—	535 040	2.45935	217 553
Singapore	S$	2 018 111	—	—	782 036	664 454	3 464 601	1.43945	2 406 892
	M$	52 920	—	—	—	—	52 920	3.307	16 002
Spain	€	2 506 006	—	—	234	—	2 506 240	0.6839711	3 664 248
Switzerland	Sw F	—	—	—	6 127 450	7 988 072	14 115 522	1.13215	12 467 890
Turkey	LT	—	—	—	48 620	—	48 620	1.17225	41 476
United Kingdom of Great Britain and Northern Ireland	£	—	—	—	—	617 264	617 264	0.5023611	1 228 726
United States of America	US$	238 227	—	—	—	—	238 227	1.00	238 227
Total amount outstanding									**40 383 884**

SCHEDULE 6A
Provision for historical taxes receivable as at 31 December 2007

		Local currency													
		1980-1981	*1982-1983*	*1984-1985*	*1986-1987*	*1988-1989*	*1990-1991*	*1992-1993*	*1994-1995*	*1996-1997*	*1998-1999*	*2000-2001*	*2002-2003*	*Total as at 31 December 2007*	*Exchange rate in effect 31 December 2007*	*Equivalent in United States dollars*
Belgium	€								11 305					11 305	0.6839711	16 529
Brazil	Cr$									61 048	318 985	173 862	154 485	708 380	1.78	397 966
Ireland	€								21 808	131 257				153 065	0.6839711	223 789
Italy	€			94 375	122 012	248 227	195 626			212 819	794 944			1 668 003	0.6839711	2 438 704
Kenya	K Sh									219 999	263 999	132 000	219 999	835 997	63.8	13 103
Malaysia	M$								1 577 802	2 259 211	42 000			3 879 013	3.307	1 172 970
	S$					11 686	59 544	145 079	248 652	283 168				748 129	1.43945	519 733
Mexico	MN$	10 663	29 669								22 379	278 688		341 399	10.9143	31 280
Philippines	P		768 751					91 872	93 290	1 235				955 148	41.275	23 141
Singapore	S$								995 888	1 022 223				2 018 111	1.43945	1 402 002
	M$							30 240	22 680					52 920	3.307	16 002
Spain	€	5 371	173 854	287 965	441 902	661 722	799 576	135 616						2 506 006	0.6839711	3 663 906
United States	US$										238 227			238 227	1.00	238 227
Total amount outstanding																**10 157 352**

C. Notes to the financial statements

Note 1
Description of the Fund

The following brief description of the United Nations Joint Staff Pension Fund is provided for general information purposes only. Participants and beneficiaries should refer to the Regulations, Rules and Pension Adjustment System of the Fund for more complete information.

(a) General

The Fund was established by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and other organizations admitted to membership in the Fund. It operates as a defined-benefit plan.

(b) Administration of the Fund

The Fund is administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee.

(c) Participation in the Fund

Every full-time member of the staff of each member organization becomes a participant in the Fund upon commencing employment under an appointment for six months or longer or upon completing six months' service without an interruption of more than 30 days. The Fund currently has over 106,000 active contributors (participants) belonging to 22 organizations and agencies (which include the United Nations Secretariat, the United Nations Children's Fund, the United Nations Development Programme, the Office of the United Nations High Commissioner for Refugees and specialized agencies such as the World Health Organization in Geneva, the International Atomic Energy Agency in Vienna, the International Civil Aviation Organization in Montreal and the United Nations Educational, Scientific and Cultural Organization in Paris). There are currently about 58,000 retirees (beneficiaries) in some 190 countries. The total annual pension payments are about $1.65 billion, paid in 15 different currencies.

(d) Operation of the Fund

Participants and beneficiaries are handled by the operations area of the Fund. Operations is based in New York and in Geneva. Many of the benefit payment functions undertaken in New York are replicated in Geneva for Europe- and Africa-based beneficiaries. All accounting for operations is handled in New York by a centralized Financial Services Section. Operations also manages the banking and receipt of monthly contributions from member organizations and funding the monthly pension payroll. There is a separate Investment Management Service, which manages the Fund's investment portfolio, totalling $41.3 billion as at 31 December 2007.

(e) Actuarial valuation of the Fund

The Board has a consulting actuary undertake an actuarial valuation of the Fund every two years to determine whether the present and estimated future assets of the Fund will be sufficient to meet its present estimated liabilities, using various sets of economic and demographic assumptions.

In 2007 the Fund carried out its first comprehensive asset-liability management study in order to assist the Secretary-General in developing an optimal long-term asset allocation and currency strategies for the investments of the Fund and to consider avenues to ensure effective, efficient and prudent management of the Fund's balance sheet so as to be able to meet in the long term the commitments stipulated by the Regulations of the Fund.

Note 2
Accounting for operational and investment activities

The financial statements are drawn up by the administration of the Fund. For operational activity (contributions and payment of benefits), the Fund relies on its own records and systems. For investment activity, the Fund relies on source data provided by a master record keeper.

For its administrative expenses, the Fund relies on data drawn from the United Nations system, the Integrated Management Information System. Some of the administrative expenses of the Fund, representing costs associated with the administrative duties of the United Nations Staff Pension Committee, are reimbursed by the United Nations under the terms of a cost-sharing arrangement. The Fund discloses the reimbursement by the United Nations as income.

Note 3
Summary of significant accounting policies

The following are some of the significant accounting policies of the Fund, which take into account the common accounting standards for the United Nations system (except as noted below) and are in accordance with the Regulations, Rules and Pension Adjustment System of the Fund as adopted by the General Assembly:

(a) Unit of account

The accounts are presented in United States dollars with balances held in currencies other than United States dollars being converted to United States dollars at the United Nations operational rate of exchange as at December.

(b) Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

(c) Investments

The accounts of the Fund are presented in United States dollars. Investment accounts such as temporary investments, bonds, stocks and convertible bonds, real estate and related securities are recorded at cost using commercial historical exchange rates at the time of the transaction instead of United Nations operational

rates of exchange or current market rate as at 31 December 2007. Cash, accrued income from investments and foreign tax accounts receivables maintained in currencies other than United States dollars are translated monthly using the applicable commercial exchange rates in effect as at the end of the month. Accrued income from investments and foreign tax accounts receivables month-end balances are auto-reversed on the first day of the following month whenever no cash is received and the amounts re-accrued each month. Funds on deposit in interest-bearing bank accounts and overnight facilities and/or call accounts are shown in the statements of assets, liabilities and principal of the Fund as cash.

No provision is made for amortization of bond premiums or discounts, which are taken into account as part of the gain or loss when investments are sold. Provision is made for accretion of interest income on temporary investments, such as commercial papers, treasury bills and discount notes. Year-end real estate market values are the values as at the end of the third quarter. This is in accordance with industry standards, since appraisals as at 31 December are not available on a consistent and timely basis for presentation in year-end financial statements.

With regard to private real estate funds, any information obtained after the cut-off and/or closing date of the master record keeper will be recorded in the following financial period.

(d) Contributions

Participants and their employing member organizations are required to contribute 7.9 per cent and 15.8 per cent respectively of their pensionable remuneration to the Fund.

(e) Benefits

Payments of benefits, including withdrawal settlements, are recorded on an accrual basis. The right to a benefit is generally forfeited if, for two years (withdrawal settlement or residual settlement) or five years (retirement, early retirement, deferred retirement or disability benefit) after payment has been due, the beneficiary has failed to submit payment instructions or has failed or refused to accept payment.

(f) Principal of the Fund

The principal of the Fund represents the net assets at book value (cost) accumulated by the Fund to meet future entitlements.

(g) Emergency Fund

The appropriation is recorded when the authorization is approved by the General Assembly; payments are charged directly against the appropriation account; any unexpended balance reverts to the Fund at the end of the year and biennium.

(h) Other income

Other income includes the part of the Fund's administrative expenses reimbursed by the United Nations.

Note 4
Contributions

(a) International Organization for Migration

On 1 January 2007, the International Organization for Migration became the Fund's twenty-second member organization. The agreement provided for a one-time opportunity for the recognition of past service with the Organization. The Organization brought 2,054 new participants into the Fund and 241 executed their right to convert their prior service with the Organization to purchase contributory service in the Fund. The Organization's prior-year contribution breaks down as follows:

	United States dollars
Participant contributions	16 194 198
Organization contributions	32 388 396
	48 582 594

(b) Inter-Parliamentary Union

On 1 January 2005, the Inter-Parliamentary Union became the Fund's twenty-first member organization. It brought 36 new participants into the Fund and 35 executed their right to convert their prior service with the Union to purchase contributory service in the Fund. The Union's prior-year contribution breaks down as follows:

	United States dollars
Participant contributions and interest	4 504 850
Organization contributions	5 551 946
	10 056 796

(c) Restoration of prior contributory service

Following the approval by the General Assembly as at 1 April 2007, the limitation on the right to restore for existing and future participants relative to the length of prior contributory service was eliminated. The Fund identified 1,303 potentially eligible participants, of whom 442 requested to restore their prior service; their restoration payments made during 2007 amount to $12,490,553.

(d) Exclusion of extraordinary income

If for comparative purposes the one-time International Organization for Migration contribution income of $48,582,594 and the restoration payments associated with the regulation change in the amount of $12,490,553 are excluded from the 2006-2007 contribution income statement and if the International Parliamentary Union contribution income of $10,056,796 is excluded from the 2004-2005 contribution income statement, the total contribution income and benefit payments on a like-to-like basis are as follows:

	(United States dollars)		
	2006-2007	2004-2005	Increase (percentage)
Contributions	3 075 164 470	2 601 544 613	18.21
Benefit payments	3 188 577 877	2 706 826 251	17.80
	(113 413 407)	**(105 281 638)**	**7.72**

Note 5
Prior-year adjustments

For the biennium ending 31 December 2007, prior-year adjustments included $21,236,723, which decreased excess of income over expenditure. That amount is comprised of the two investment items below:

(a) Investments in real estate

Effective 1 January 2006, the Fund made book-cost adjustments for its non-unitized real estate investments to reflect a change in the methodology used to determine book cost. In accordance with best market practice and to standardize accounting treatment for those investments from 1 January 2006 forward, the Investment Management Service adapted the cost method of accounting for real estate investments. This is in accordance with the methodology employed by the Global Custodian. In 2006, to properly reflect the cost method, an adjustment was made to decrease the cost of real estate investment and decrease prior-period income by $27,262,150.

(b) Payable for securities purchased

The CIGNA Real Estate Fund (CREF) distributed proceeds from sale and other available cash on 3 October 2005. The Fund elected to transfer its share of the distribution amounting to $6,025,426.58 into another private real estate fund, the Prudential Property Investment Separate Account (PRISA). The master record keeper erroneously recorded the transfer by increasing the cost of PRISA and setting up accounts payable to PRISA. The entry should have increased the cost of PRISA, decreased the cost of CREF and recognized a gain on sale of CREF units. In 2006, to correct this prior-period error, an adjustment was made to decrease payable for securities purchased and increase prior-period income by $6,025,427.

The balance of adjustments was the net effect of adjustments to participant and beneficiary records and other items relating to the share of expenses to be reimbursed by the United Nations under the cost-sharing arrangement.

Note 6
Provision for historical taxes

The Fund is exempt from taxation by Member States in accordance with article 105 of the Charter of the United Nations and with article II, section 7 (a), of the 1946 Convention on the Privileges and Immunities of the United Nations. Standard industry practice is that taxes are withheld at the time the dividend is paid to the Fund. The Fund's custodian bank then applies to the governmental taxing authority for the refund on behalf of the Fund.

In a note by the Representative of the Secretary-General of 4 May 2006, the Investment Management Service informed the Board that regarding the oldest taxes outstanding under two prior custodians, one claimed to have lost all records regarding Fund claims; the other informed the Fund that all records had been destroyed owing to their age. The custodians were therefore unable to pursue the outstanding claims with the respective governmental taxing authority. The Fund, however, is continuing pursuit of the claims by directly contacting the missions of the respective Member States through the Representative of the Secretary-General for the Investments of the Fund.

As the success of the Fund in the collection of the older taxes may be possible but not a certainty, a provision has now been established in the financial statements for any tax claims four years or older. This reserve amounts to $10,157,350 for the period ending 31 December 2007 and will be adjusted annually to reflect the current balance of tax receivables that are four years or older.

The Fund will continue its efforts to work closely with the current Global Custodian and will independently work through the Representative of the Secretary-General in contacting the missions of the respective Member State for the collection of the older tax receivables. Procedures for the collection of the current tax reclaims are in place and the Investment Management Service continues to work with the custodian bank to effect collection of the outstanding claims.

Note 7
Non-expendable property

In line with United Nations practice, non-expendable property is not included in the fixed assets of the Fund, but is charged against an appropriation for the year of purchase. The 2007 reconciliation was delayed and has not been finalized owing primarily to limited access of Fund property record keepers to the United Nations ProcurePlus system and connectivity issue. Fund property record keepers are not able to create and update records and enter missing information on new equipment delivered directly to the Fund's premises. The limited access was restored in April 2008 with options to indicate relocation and disposal of equipment.

However, in order to ensure accuracy and completeness of non-expendable property records in ProcurePlus and allow for timely updates, the Fund would require an access level equivalent to one available for users in the United Nations Receiving Area and Facilities Management Service.

In order to address these issues, the Fund intends to undertake a major reconciliation of the records maintained in the United Nations property system ProcurePlus, with the actual physical inventory in the Fund in the summer of 2008 in coordination with the Facilities Management Service. It is anticipated that the reconciliation exercise will most probably result in a significant revision of the Fund's non-expendable property records. For the purpose of schedule I, the total estimated value of non-expendable property for the period ending on 31 December 2007 was derived from the value reported as at 31 December 2005 combined with the estimated cost of acquisitions during 2006-2007 less the value of items disposed of and returned to vendors. Until accurate reconciliation of non-expendable property records is completed, the information above can not be presented at the level of detail recommended by the Office of Internal Oversight Services in the latest audit report.

Therefore, only total estimates are provided. The amounts below are expressed in millions of United States dollars:

	Reported as at 31 December 2005	*Acquisitions in 2006-2007*	*Disposed of*	*Returned to vendor*	*Estimated value as at 31 December 2007*
Pension Fund secretariat	12.320				
Investment Management Service	1.320				
Total	**13.640**	**1.819**	**0.289**	**0.001**	**15.169**

Note 8
Status of appropriations (schedule 1)

In accordance with General Assembly resolution 60/248 and the report of the Advisory Committee on Administrative and Budgetary Questions (A/62/7/Add.3), the original and revised budgets for the biennium 2006-2007 are as follows (in United States dollars):

	United Nations Joint Staff Pension Fund	*United Nations*	*Total*
Initial appropriation (resolution 60/248)	91 722 700	16 539 800	108 262 500
Revised appropriation (A/62/7/Add.3)	88 089 300	16 371 800	104 461 100

In addition, extrabudgetary resources for the after-service health insurance system, which will be reimbursed by a number of member organizations, were approved as follows:

	United Nations Joint Staff Pension Fund	*United Nations*	*Total*
Initial appropriation (resolution 60/248)	131 000	—	142 000
Revised appropriation (A/62/7/Add.3)	144 100	—	144 100

Annex IX

Report of the Board of Auditors on the financial statements of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2007

Summary

The Board of Auditors has audited the financial statements of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2007. The audit was carried out through review of the financial transactions and operations at the Fund's headquarters in New York, covering both the Investment Management Service and the secretariat of the Fund.

The Board also addressed special requests made by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly.

The Board issued an unqualified opinion on the financial statements for the period under review, as reflected in chapter III.

Coordination with the internal audit

The Board coordinated with the Office of Internal Oversight Services in the planning of its audit in order to avoid duplication of effort. In addition, the Board reviewed the internal audit coverage of the operations of the Fund to assess the extent to which reliance could be placed on the work of the Office.

Follow-up of previous recommendations

In response to the request of the Advisory Committee on Administrative and Budgetary Questions and in accordance with paragraph 7 of General Assembly resolution 59/264 A, the Board has evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated the financial periods in which such recommendations were first made. Approximately half of the Board's recommendations have been implemented, while the remainder are under implementation. These latter recommendations are mainly long-term in nature and therefore would take a longer time to achieve.

Overall financial overview

For the period under review, total income (comprising contributions and investment income) was $10.3 billion, compared with $7.04 billion for the previous biennium, an increase of 47 per cent. Total pension contributions increased by 20 per cent, to $3.1 billion (compared with $2.6 billion in the biennium 2004-2005). The main factors reported by the Fund in accounting for the rise were the increase in number of participants and the variations of the United States dollar against other currencies.

Total expenditure (comprising benefit payments and administration expenses) amounted to $3.3 billion, compared with $2.8 billion for the previous biennium, an increase of 17 per cent. Payment of benefits represented 97 per cent of expenditure and increased by 18 per cent, to $3.2 billion (compared with $2.7 billion in 2004-2005). This resulted in an excess of income over expenditure of $7 billion, compared with an excess of $4.2 billion in the preceding biennium.

The number of Fund participants as at 31 December 2007 was 106,566. Membership increased by 13.8 per cent during this biennium, as against 9.9 per cent during the biennium 2004-2005.

The number of periodic benefits granted for the biennium 2006-2007 was 58,084, compared with 55,140 for the previous biennium (a 5.3 per cent increase).

The market value of the investment portfolio of the Fund as at 31 December 2007 was $41.4 billion (an increase of $10 billion, or 32 per cent), as against $31.4 billion as at 31 December 2005 and $25.7 billion as at 31 December 2003. The book value of the investment portfolio increased by 31 per cent, from $23 billion at the end of 2005 to $30 billion as at 31 December 2007.

Income from investments increased by $2.8 billion and reached $7.2 billion for the biennium (compared with $4.4 billion in 2004-2005).

The last actuarial valuation conducted in 2005 determined that the actuarial assets of the fund adequately covered the actuarial value of accrued benefit entitlements. The 2007 updated actuarial report had not been completed at the time of the audit. However, the asset-liability modelling project conducted in April 2007 did not contradict the conclusion of the 2005 actuarial valuation.

Statement of assets, liabilities and reserve and fund balances

Investments — real estate

The notes to the financial statements did not clarify that third-quarter market values, as stated in the financial statements, were adjusted by fourth-quarter cash flows, as applied by the Fund.

Provision for non-recovery of foreign tax receivable

The Board noted that the provision of $10.2 million (2005: $nil) covered amounts due by Governments to the Fund relating to withholding taxes on investment returns backdating as far back as 1981. In accordance with Fund policy these amounts had not been written off. Therefore, foreign tax receivables are not recorded at their recoverable amounts.

Benefits payable

The balance for benefits due and payable as at 31 December 2007 was $26.1 million (2005: $24.1 million). The Board noted that there were some amounts included in benefits payable that had already been paid.

Age analysis of benefits payable

The Fund did not prepare an ageing analysis. The Board observed that there was a need for the Fund to analyse and reconcile benefits payable. This lapse in control resulted in the inclusion of amounts that had already been paid to be included in benefits payable.

Differences between the Lawson accounting system and the accounts payable module balances

The Board noted that the balance per the accounts payable subsidiary ledger was $1.2 million less than the Lawson general ledger balance. The Board also observed an amount of $3.75 million (in the general ledger) for which no detailed breakdown existed.

Other payable (due to the United Nations)

The Board noted a $41,045 difference between the accounts payable balance recorded by the Fund with respect to expenditure made on its behalf by the United Nations for the period from 1 January to 31 December 2007 and the confirmation received from the United Nations.

Principal of the Fund

The principal (i.e. the total assets at cost minus accounts payable) of the Fund as at 31 December 2007 was $30.6 billion compared with $23.6 billion in the previous biennium, reflecting an increase of $7 billion (30 per cent).

Investment management

The Board noted an incident where a trade was not authorized in accordance with Fund policies and procedures.

End-of-service liabilities (including after-service health insurance liabilities)

In its resolution 61/264, the General Assembly decided on the recognition of and provision in financial statements for end-of-service liabilities. The Board noted that the Fund did not disclose any liabilities for end-of-service benefits (accrued leave and repatriation benefits) or after-service health insurance benefits for its own staff in its financial statements. The Fund did not estimate or actuarially value these liabilities. According to the Fund, it had approximately 191 active staff members who would be entitled to after-service health insurance. The Fund was not in a position to determine the number of its retirees eligible for this benefit. The Board was concerned about the absence of any accounting provision for these liabilities in the financial statements.

Progress towards the implementation of International Public Sector Accounting Standards

The Board noted that the Fund did not have a plan for implementation of the International Public Sector Accounting Standards in place. It was considering alternative standards, such as the International Financial Reporting Standards, which it considered was the appropriate accounting reference source for the Fund.

Asset management

The Board noted a number of discrepancies between the assets recorded in the fixed asset register and the physical assets on hand. Also, inventory counts were not conducted and reconciled annually. The value of non-expendable property disclosed as a note to the financial statements could not be reconciled to the value recorded of non-expendable property on the asset register. The Board noted there was a significant breakdown in controls that had resulted in the Fund's using estimates in the value of non-expendable property disclosed in its financial statements.

The Fund explained in the disclosure note to the financial statements that it had encountered various problems with its asset management system. Accordingly, the Board could not provide assurance on the existence, accuracy, valuation, ownership and completeness of the disclosed non-expendable property.

Human resource management

The Board noted that the Fund did not have a human resource plan, succession plan or staff training plan in place. In the absence thereof, the Board could not assess the overall effectiveness of human resource management.

Consultants, experts and temporary assistance

The Board noted that the same actuarial firm had been the consulting actuary of the Fund since its inception. Furthermore, the same personnel had been representing the actuary for the past six years. The Board recognized the importance of rotation of professional service providers.

Pension fund administration activities

Contributions

The Board noted that the Fund did not perform monthly reconciliations of contributions received. According to the Fund, certain member organizations were unable to provide the Fund with data that represented actual contributions collected from their respective staff members. Monthly statements provided by the member organizations did not contain sufficient detail to enable the Fund to perform a monthly reconciliation. Thus, the reconciliations were only performed annually.

The Board noted a net preliminary difference of $14.1 million between amounts due from and to member organizations for participants' contributions on the participant reconciliation exceptions reports process for 2006. That difference represented potential overpayments by member organizations. The process for 2007 had not yet been performed and thus such exceptions were not known at the time of the audit.

Payment of benefits

The Board noted that the annual declaration by beneficiaries known as the certificate of entitlement process did not require the beneficiaries to sign the form in the presence of a commissioner of oaths (or notary public or equivalent), who would have to certify that the person signing the form as a valid beneficiary.

The Board noted an improvement in the average processing time for retirement benefits, from 31 days in 2005 to 21.5 days in 2006.

The Board reviewed beneficiary payments and found that inadequate controls existed to verify the continued eligibility for child benefits once initially established. In particular, there were inadequate system controls to actually identify all children who had reached the age of 21 or those who married before turning 21. The Board noted that the process of certificate of entitlements did not confirm individual children's status as single or married.

The Board followed up on its previous recommendation that the Fund increase the proportion of participants covered by automated data transfer and noted that a few more member organizations had been included in the interface.

The Board found that accounts receivables (in respect of overpayments) amounting to $2.8 million were long outstanding.

Internal audit function

The Board noted that the Office of Internal Oversight Services had not completed its audit plan for 2007, resulting in fewer internal audit reports that the Board could use to place reliance on. The slow completion rate of its planned audits was of concern as it reflected negatively on the internal audit service delivered. The Office of Internal Oversight Services had encountered delays in the recruitment of staff, the selection of a consultant and other factors, including the request from Fund management to defer two of the planned audits, which resulted in the need to revise the planned completion dates of several assignments, and the deferment to 2008 of certain audits planned for 2007.

Internal audit findings

During the current biennium, the Office of Internal Oversight Services issued 11 reports on the subject of governance, treasury (cashier and investment), disaster recovery/business continuity, custodians, the Lawson accounting system, advisory and brokerage services, cash management operations, the governance mechanism, financial accounting and reconciliations (Investment Management Service and Fund secretariat), procurement management, and payroll processing (payments through the United Nations Educational, Scientific and Cultural Organization). The Office highlighted significant deficiencies that the Fund needed to address, as detailed in the present report.

Write-offs and disposals

The Fund informed the Board that it had not had any write-offs and disposals during the biennium.

Ex gratia payments

The Fund informed the Board that it had not had any ex gratia payments during the biennium.

Cases of fraud and presumptive fraud

The Fund reported 10 cases of fraud or presumptive fraud to the Board and stated that none of the cases had resulted in financial loss to the Fund, but represented attempts to cash fraudulent cheques in its name.

Recommendations

The Board has made several recommendations based on its audit. The main recommendations are set out in paragraph 8 of the report.

A. Introduction

1. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the United Nations Joint Staff Pension Fund (UNJSPF) and has reviewed its operations for the financial period from 1 January 2006 to 31 December 2007 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article 14 (a) of the Regulations and Rules of the Fund and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Fund as at 31 December 2007 and the results of its operations and cash flows for the financial period then ended, in accordance with the United Nations system accounting standards. This included an assessment of whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditure had been properly classified and recorded in accordance with the Regulations and Rules of the Fund. The audit also included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the Fund's operations under United Nations financial regulation 7.5. This requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Fund's operations. The General Assembly had also requested the Board to follow up on previous recommendations and to report on it accordingly. Those matters are addressed in paragraphs 10-15 below.

4. The Board did not review the actuarial report for 2007 as it was not available at the time of the audit. Actuarial liabilities and assets are not disclosed in the financial statements and therefore were not reviewed.

5. The Board continued to report the results of audits to the administration in the form of management letters containing detailed observations and recommendations, which practice allowed for ongoing dialogue with the administration. In that regard, one management letter was issued covering the period under review.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the administration, whose views have been appropriately reflected in the report.

2. Coordination with internal audit

7. The Board continues to coordinate with the Office of Internal Oversight Services (OIOS) in the planning of its audits in order to avoid duplication of effort and to determine the extent of reliance that can be placed on its work.

3. Main recommendations

8. The Board's main recommendations are that UNJSPF:

(a) Update its real estate investment disclosure notes to the financial statements (para. 29);

(b) Implement controls to detect and prevent payments being made without off-setting the balance payable and perform a regular review of all payables and adjust for those payable amounts which have been settled (para. 38);

(c) Comply with the documented Investment Policy and Procedure Manual for advisory reports on investment sales/purchases, and authorization of transactions (para. 53);

(d) Obtain an actuarial assessment of all end-of-service liabilities, including after-service health insurance liabilities, and provide for those liabilities in its financial statements (para. 58);

(e) Adopt an appropriate accounting framework and standard for its activities and develop a plan to implement the adopted standards (para. 64);

(f) Reconcile the physical inventory to the asset register and implement measures to ensure that physical inventory counts are conducted and reconciled with the asset register on a regular basis (para. 80);

(g) Implement processes to rotate the actuary at reasonable time intervals and consider the appointment of joint actuaries in order to encourage knowledge transfer (para. 95);

(h) Reconcile monthly contributions from member organizations and follow up on reconciling items in a timely manner and make system enhancements to assist with regular reconciliations where necessary (para. 112);

(i) Research and consider alternative controls (other than just warnings) to enhance the certificate of entitlement process (para. 129);

(j) Collaborate with member organizations to significantly reduce the number of participant reconciliation exceptions and increase the proportion reconciled at year end (para. 148).

9. The Board's other recommendations appear in paragraphs 33, 41, 46, 49, 85, 92, 102, 105, 119, 137, 143, 154, 155, 160, 167 and 171. These recommendations do not address sanctions or disciplinary steps that the administration may wish to impose on defaulting officials for consistent failure to ensure compliance with the Regulations and Rules of the Fund and of the United Nations, administrative instructions and other related directives.

B. Detailed findings and recommendations

1. Follow-up of previous recommendations

10. In accordance with section A, paragraph 7, of General Assembly resolution 51/225, the Board reviewed the actions taken by the Fund to implement the recommendations made in its report for the biennium ended 31 December 2005.

11. Of the total 21 recommendations that were made, 11 had been fully implemented and 9 partially implemented. One recommendation was not implemented. These are shown in the appendix to this report.

Recommendations partially implemented

12. The main reason for the partially implemented recommendations was that these recommendations are long term in nature and would take a longer time to achieve. In particular, a few recommendations involved the implementation of new systems by UNJSPF itself and by member organizations.

Recommendations not implemented

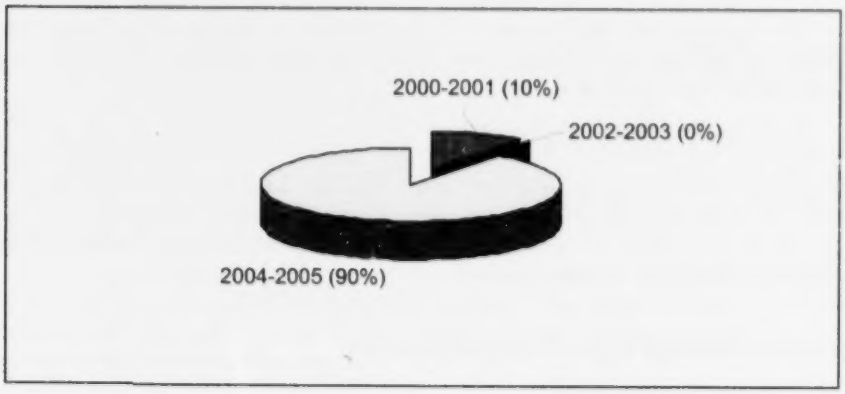
13. The one recommendation that was not implemented related to the preparation of monthly contribution reconciliations. UNJSPF informed the Board that this had not been implemented because member organizations were not yet able to provide UNJSPF with accurate data on a monthly basis.

Ageing of previous recommendations

14. The Board also evaluated the ageing of its previous biennium's recommendations that were partially or not yet implemented, as requested by the Advisory Committee on Administrative and Budgetary Questions (A/59/736, para. 8). The financial periods in which such recommendations were first made are indicated in the appendix.

15. Of the nine partially implemented and one unimplemented recommendations, nine (90 per cent) relate to the period 2004-2005; none related to 2002-2003; and one (10 per cent) to 2000-2001, as depicted in figure I.

Figure I
Ageing of partially implemented and unimplemented recommendations of previous bienniums



2. Overall financial overview

16. For the period under review, total income (comprising contributions and investment income) was $10.3 billion, compared with $7.04 billion for the previous biennium, an increase of 47 per cent. Total expenditure (comprising benefit payments and administration expenses amounted to $3.3 billion, compared with $2.8 billion for the previous biennium, an increase of 17 per cent. This resulted in an excess of income over expenditure of $7 billion, compared with an excess of $4.2 billion in the preceding biennium.

17. The number of Fund participants as at 31 December 2007 was 106,566 (74,575 from United Nations entities and 31,991 from specialized agencies). Membership increased by 13.8 per cent during the biennium, as against 9 9 per cent during the biennium 2004-2005.

18. The number of periodic benefits granted for the biennium 2006-2007 was 58,084, compared with 55,140 for the previous biennium (a 5.3 per cent increase). It included 19,482 retirement benefits amounting to $1.5 billion (5.3 per cent increase), 13,074 early and 6,782 deferred retirement benefits amounting to $1.08 billion (2 0 per cent increase), 9,597 widow's and widower's benefits amounting to $0.31 billion (7.6 per cent increase), 8,042 children's benefits of $0.04 billion (1.4 per cent decrease) and 1,107 disability benefits of $0.08 billion (9 per cent).

19. The market value of the investment portfolio of the Fund as at 31 December 2007 was $41.4 billion (an increase of $9.9 billion (32.0 per cent)), as against $31.4 billion as at 31 December 2005 and $25.7 billion as at 31 December 2003. The $10.2 billion increase in the value of bonds, stocks and convertible bonds accounted for 25 per cent of the rise in the market value of the Fund. The book value of the investment portfolio increased by 31 per cent, from $23 billion at the end of 2005 to $30 billion as at 31 December 2007.

20. Income from investments increased by $2.8 billion and reached $7.2 billion for the biennium (compared with $4.4 billion in 2004-2005). The $2.2 billion increase in profits realized on sales of securities accounted for 31 per cent of the increase in investment income.

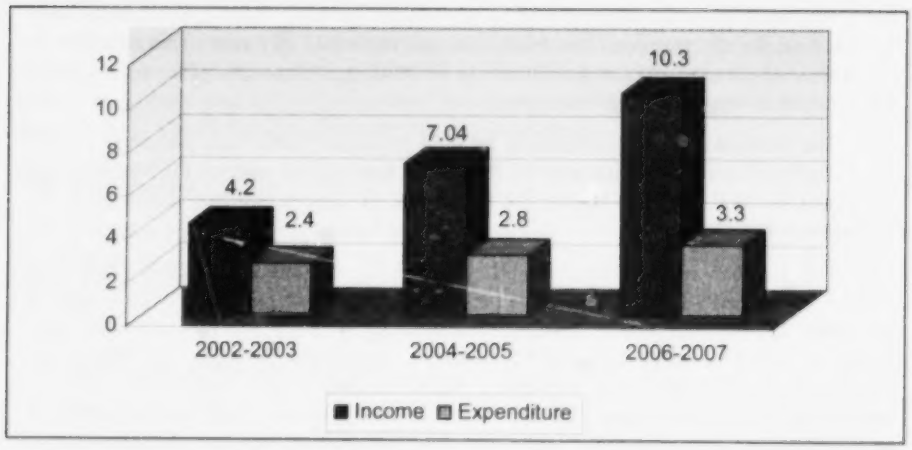
21. The last actuarial valuation conducted in 2005 determined that the actuarial assets of the Fund adequately covered the actuarial value of accrued benefit entitlements. The 2007 actuarial report was not completed at the time of the audit, but the asset-liability modelling project conducted in April 2007 did not refute the position of the 2005 actuarial valuation.

22. Total pension contributions increased by 20 per cent, to $3.1 billion (compared with $2.6 billion in the biennium 2604-2005). The main reason factors reported by the Fund in accounting for the rise were the increase in the number of participants and the variation of the United States dollar against other currencies.

23. Payment of benefits represented 97 per cent of expenditure and increased by 18 per cent, to $3.2 billion (compared with $2.7 billion in 2004-2005).

24. Comparative income and expenditures for the bienniums 2002-2003, 2004-2005 and 2006-2007 are shown in figure II.

Figure II
Comparative income and expenditure
(Billions of United States dollars)



25. The increase in expenditures of $480 million or 17 per cent was attributable mainly to an increase in payment of benefits as the Fund is an ageing one. The payment of benefits increased by 18 per cent, with the number of retirees increasing by 5.3 per cent.

3. Statement of assets, liabilities, and principal of the Fund

Investments — real estate

26. Paragraph 49, item (ii), of United Nations system accounting standards (UNSAS, Revision VIII), states that assets to be disclosed include:

> "Investments. The market value should be disclosed if it is different from the carrying amount in the financial statements."

27. The notes to the financial statements state:

> "Year-end real estate market values are the values as at the end of the third quarter. This is in accordance with industry standards, since appraisals as at 31 December are not available on a consistent and timely basis for presentation in year-end financial statements. With regard to private real estate funds, any information obtained after the cut-off and/or closing date of the master record keeper will be recorded in the following financial period."

As such it is not clear whether third-quarter market values are adjusted by fourth-quarter cash flows.

28. UNJSPF stated that the master record keeper did factor in fourth-quarter contributions and other cash activity into the Fund's adjusted market value that was reported at 31 December 2007. However, the accounting policy note did not provide clarification on the matter.

29. **The Investment Management Service agreed with the Board's recommendation that it update its real estate investment disclosure notes to the financial statements.**

30. UNJSPF informed the Board that it would revise the wording in future financial statements to reflect that third-quarter real estate market values were adjusted by the master record keeper to reflect cash flows for the fourth quarter.

Provision for non-recovery of foreign tax receivable

31. The Board reviewed schedule 6A relating to provision for historical taxes receivable of the financial statements for the biennium ended 31 December 2007 and noted that the provision of $10.2 million covered amounts due to UNJSPF backdating as far as 1981. The Investment Management Service confirmed to the Board that the amounts related to taxes withheld on interest and dividends earned on investments in the respective missions. As a tax-exempt organization, the United Nations was entitled to subsequently claim all taxes withheld. In the financial statements for the period ending 31 December 2007, the Fund had established a reserve for such tax receivables, on the recommendation of the Audit Committee.

32. The Board was informed that the reason the amounts had been outstanding for a long period was that the documentation supporting the aforementioned amount had been misplaced and the respective Governments would not pay the balances without supporting documentation for the balances being claimed by UNJSPF.

33. **The Board recommends that UNJSPF enhance its efforts to recover the outstanding amounts.**

34. UNJSPF informed the Board that, at the 2006 meeting of its Pension Board, it had requested approval to write off approximately $6.5 million of unrecoverable tax refunds that had accrued during the period 1980-1988 and that full investigations had been conducted and substantial efforts made to recover the tax refunds, without success.

35. UNJSPF further informed the Board that it was the responsibility of its Global Custodian to file for all tax claims with the respective government taxing authority and that with regard to items requested for write-off, two previous custodians had been responsible for the filling and maintaining records for the claims. However, one custodian advised the Fund that relevant documentation for recovery of taxes had been destroyed during the 11 September 2001 incident. The other custodian informed the Fund that it was unable to pursue the reclaims because it had not maintained the supporting documentation for the claims as it had sold its custodian services activities.

Benefits payable

36. Benefits payable represents claims payable to participants under the terms of the Regulations and Rules of the Fund. Outstanding payables are categorized as withdrawal settlements (cases when a payable is set up before payment instructions are received), lump sum payments (these lump sum payments are made to the beneficiaries upon calculating the benefit by the Pension Entitlements and Client Servicing Section) and monthly benefits (represents the bulk and the most complex of the outstanding payables). The balance for benefits payable as at 31 December 2007 was $26.2 million (2005: $24.1 million). The Board noted based on its testing

that there were some amounts recorded as benefits payable that had already been paid and that in some instances payment had already been made in the previous biennium.

37. This results in the misstatement of benefits payable in the financial statements by the value of benefits already paid.

38. **The UNJSPF secretariat agreed with the Board's recommendation: (a) to implement controls to detect and prevent payments being made without off-setting the balance payable; and (b) to perform a regular review of all payables and adjust for those payable amounts which have been settled.**

39. The UNJSPF secretariat informed the Board that it would review its processes to better ensure that adjustments were made and total payables reviewed.

Age analysis of benefits payable

40. UNJSPF did not prepare an ageing analysis. The Board observed that there was a need for the Fund to analyse and reconcile benefits payable. The lapse in controls that had resulted in amounts that had already been paid being included under benefits payable was of concern to the Board and might indicate a risk that invalid claims could be made using the resources of the Fund.

41. **The UNJSPF secretariat agreed with the Board's recommendation to develop a tool for ageing the payables balances in order to keep control of long overdue payables.**

42. UNJSPF explained that long outstanding payables represented entries that could be closed in accordance with the Fund's forfeiture rules or needed to be retained if the forfeiture period had not elapsed. As the entries could represent different types of payable for which forfeiture/cancellation rules differed or for which other explanations/problems existed, the Fund agreed to further analyse the balances and take action to clear them in the new biennium. UNJSPF informed the Board that the existing reporting facility in the finance system would require modifications to complete the analysis.

Differences between the Lawson accounting system and the accounts payable module balances

43. The general ledger accounts on the Lawson system showed global entries (without details) processed for open payables at the biennium end. The detailed entries showing the vendor name, amounts and voucher numbers are recorded on the accounts payable module and are linked to the general ledger to allow for viewing of more details making up the global entries.

44. The Board obtained the reports of open payables linked to the individual general ledger codes and noted differences between the accounts payable module and Lawson. The aggregate accounts in Lawson showed a balance of $20.3 million, while the aggregated accounts in the accounts payable module showed a balance of $19 million, resulting in a difference of $1.3 million.

45. Furthermore, a general ledger account with a balance of $3.75 million had no vendor codes linked to the accounts payable module and there was no detailed breakdown as to what made up this global total in the general ledger. Taking this account balance into consideration and the difference noted above, the benefits

payable were potentially overstated by $5.05 million as at 31 December 2007. The Board noted that the differences might have been detected and rectified by reconciliation of vendor codes, balances/totals and control accounts on the general ledger.

46. **The Board recommends that the UNJSPF secretariat upload the correct accrual amounts from the accounts payable module into the Lawson system and adjust its accounts for the differences noted.**

47. UNJSPF informed the Board that the account was used to set up and clear accounts payable for payroll transactions of beneficiaries whose benefits were paid in arrears and whose payment value date was at the beginning of the month and that this was a normal part of processing within the Fund. If the details of those transactions were required, it would be possible for information technology staff to produce a specific inquiry. The transaction was cleared in January of the following year, but another payable was set for the month of February, and so on. Consequently, the account always had a balance, which was due to the fact that the Fund had many cases paid at the beginning of every month.

Other payables (due to the United Nations)

48. The balance recorded by UNJSPF with respect to expenditures made on its behalf by the United Nations for the period from 1 January 2006 to 31 December 2007 reflected an amount of $355,087 due to the United Nations as at 31 December 2007. However, the confirmation received from the United Nations shows a net due from UNJSPF of $314,042, resulting in a difference of $41,045. UNJSPF explained that the difference was attributable to the previous biennium.

49. **The Board recommends that UNJSPF continue reconciling the balance with the United Nations to ensure that the differences are fully reconciled.**

4. Principal of the Fund

50. The principal (i.e. the total assets at cost minus accounts payable) of the Fund as at 31 December 2007 was $30.6 billion, compared with $23.6 billion in the previous biennium, reflecting an increase of $7 billion (30 per cent).

5. Investment management

Compliance with investment purchase and sales authorizations

51. The Investment Policy and Procedure Manual required all trades in excess of $20 million to be authorized by the Director of the Investment Management Service. The Board noted that the equity share sale of 200,000 Rio Tinto (UK) shares for $22.8 million on 14 November 2007 (approval date) was only authorized by two Senior Investment Officers.

52. Non-compliance with the Investment Policy and Procedure Manual could lead to unauthorized transactions or records that did not support transactions entered into. This would have an impact on the control environment, that is, increased risk.

53. **The Board recommends that the Investment Management Service comply with the documented Investment Policy and Procedure Manual on investment sales/purchases and authorization of transactions.**

54. UNJSPF informed the Board that with regard to the authorization for the Rio Tinto transactions, there appeared to be an oversight on the part of personnel of the Investment Management Service.

6. End-of-service liabilities (including after-service health insurance)

55. At the end of their service, eligible staff members are entitled to after-service health insurance coverage. In accordance with General Assembly resolutions 60/255 and 61/264, several United Nations entities have in the biennium 2006-2007 made full disclosure of their end-of-service liabilities, including after-service health insurance, or even made an accounting entry for the liability.

56. The Board noted that UNJSPF did not disclose the liabilities for end-of-service benefits (accrued leave and repatriation benefits) and after-service health insurance benefits in its financial statements nor did it estimate the value of those liabilities. The Fund informed the Board that, with the introduction of the International Public Sector Accounting Standards (IPSAS), it understood that the accrued after-service health insurance liabilities and future accrued expenses would be recognized on the face of its financial statements and that UNJSPF would submit a detailed report to the Pension Board in 2009 with financing options for further consideration by the General Assembly.

57. UNJSPF stated that it had approximately 191 active staff who would be entitled to after-service health insurance and that it was not in a position to determine the number of its retirees eligible for the benefit. Its liabilities, however, were likely to be significant. Similar significant liabilities would exist for other end-of-service benefits, such as accrued leave and repatriation benefits, but they had also not been calculated or provided for. The disclosure and provision of end-of-service liabilities would result in improved financial reporting.

58. **The Board recommends that UNJSPF obtain an actuarial assessment of all end-of-service liabilities, including after-service health insurance liabilities, and provide for those liabilities in its financial statements.**

59. UNJSPF informed the Board that it would ensure that its staff were included as part of the United Nations Secretariat's overall population for evaluation of the accrued liabilities for after-service health insurance in the future. With regard to the end-of-service liabilities, UNJSPF intended to conduct an evaluation of liabilities in 2008.

60. UNJSPF further informed the Board that it would submit a detailed report to its Pension Board in 2009 with financing options for further consideration by the General Assembly; and that a note on accrued after-service health insurance liabilities for staff of the Fund would be disclosed in the 2008 interim financial statements.

7. Progress towards the implementation of the International Public Sector Accounting Standards

61. In accordance with General Assembly resolution 61/233 and in response to the comments of the Advisory Committee on Administrative and Budgetary Questions in its report (A/61/350), the Board carried out a gap analysis relating to the implementation of IPSAS as well as new or upgraded Enterprise Resource Planning

(ERP) systems. The Advisory Committee had commented on the desirability of such systems taking fully into account the detailed requirements of IPSAS.

62. The Board noted that UNJSPF did not yet have an IPSAS implementation plan in place. The Fund informed the Board that there was no IPSAS standard relating to financial reporting for pension funds as entities in themselves and that the Fund would consider alternative standards such as the International Financial Reporting Standards International Accounting Standard (IAS) 26 as this was the appropriate potential reference source for the Fund. The Fund would present its considerations to its Audit Committee in June 2009.

63. The Board was concerned that UNJSPF did not have an implementation plan in place given that there was less than two years before the proposed implementation date of 1 January 2010. Implementation of a new financial reporting framework and related standards would require extensive planning, budget and supporting resources. The Board also noted that the Fund had payment system interfaces with other United Nations entities, as it received contributions from participant organizations; and this would require coordinated attention during a United Nations system-wide transition to IPSAS.

64. **The Board recommends that UNJSPF adopt an appropriate accounting framework and standard for its activities and develop a plan to implement the adopted standards.**

65. UNJSPF responded that in accordance with IAS 26 it had prepared for its Audit Committee a mock-up of the proposed presentation of financial statements. The key changes made to meet the requirements of the proposed standard were of presentation and supplementary notes, not of substance, and all the data required were already in the Fund's financial statements, with the exception of the actuarial data.

66. UNJSPF further informed the Board that the area most affected by IPSAS would be the administrative expenses balance, which would change as the United Nations changed its approach to accruing costs. Information with regard to administrative expenses would be provided by disclosure in additional notes to the statements.

67. The Board notes that the implementation of IPSAS provides UNJSPF with an opportunity to review its management accounting and financial reporting processes. That review would encompass aspects such as software, reporting timetables, annual reporting and auditing, and changes to relevant aspects of the legislative framework. This is a comprehensive change, with budget and resource implications.

8. Asset management

68. Non-expendable property consists of property and equipment valued at $1,500 or more per unit at the time of purchase and with a serviceable life of five years or more. As disclosed in note 7 to the financial statements, the value of non-expendable property holdings as at 31 December 2007 amounted to $15.7 million, a 15 per cent increase from the previous period's balance of $13.6 million.

69. The Board noted that the financial disclosures for non-expendable property furnished in note 7 to the financial statements were incomplete and not in

accordance with the United Nations system accounting standards. The Fund had provided explanatory notes in the same note about the extent of its problems in the management and recording of non-expendable property.

Existence, accuracy and completeness of non-expendable property

70. Note 7 to the financial statements relating to non-expendable property states:

> "The 2007 reconciliation was delayed and has not been finalized owing primarily to limited access of Fund property record keepers to the United Nations ProcurePlus system and connectivity issue. Fund property record keepers are not able to create and update records and enter missing information on new equipment delivered directly to the Fund's premises. ... In order to address these issues, the Fund intends to undertake a major reconciliation of the records maintained in the United Nations property system ProcurePlus with the actual physical inventory in the Fund in the summer of 2008 in coordination with the Facilities Management Service. It is anticipated that the reconciliation exercise will most probably result in a significant revision of the Fund's non-expendable property records. For the purpose of schedule I, the total estimated value of non-expendable property for the period ending on 31 December 2007 was derived from the value reported as at 31 December 2005 combined with the estimated cost of acquisitions during 2006-2007 less the value of items disposed of and returned to vendors."

71. The note further states:

> "Until accurate reconciliation of non-expendable property records is completed, the information ... cannot be presented at the level of detail recommended by the Office of Internal Oversight Services in the latest audit report. Therefore, only total estimates are provided."

72. UNJSPF informed the Board that it would perform a reconciliation exercise in July-August 2008 in coordination with the Facilities Management Service of the Secretariat.

73. The Procurement Service Unit of the Secretariat conducted a physical verification of assets during the biennium and produced a listing that indicated that items to the value of $424,574 (which represented 10.4 per cent of the total assets recorded on the property record) could not be found and that non-expendable property to the value of $288,273 (representing 7.1 per cent of total assets) was recorded as being disposed of on the fixed-asset register, but actually still existed.

74. The Fund informed the Board that the main reason that assets could not be found by the Unit was that the Fund had relocated its premises and assets were not in the locations recorded in the asset register.

75. The Board also noted that consolidated inventory counts were not conducted and reconciled on an annual basis. The value of non-expendable property disclosed as a note to the financial statements could not be reconciled to the recorded value for non-expendable property on the asset register.

76. The risk therefore exists that non-expendable property at headquarters, as disclosed in the notes to the financial statements, may be misstated and that the inventory records may not be accurate.

77. The Board performed a physical inventory count of non-expendable property. The inventory count involved performing both a "sheet to floor" test aimed at gaining assurance regarding the existence of assets as well as a "floor to sheet" test aimed at gaining assurance that the asset listing was complete.

78. Both tests resulted in the Board identifying several discrepancies in the asset register and management of assets, such as missing assets, outdated records, missing asset identification tags and incorrect locations.

79. The Board noted significant weaknesses in the controls and processes surrounding the reporting of non-expendable property. Another finding of concern was the fact that UNJSPF had recorded non-expendable property based on its own estimates as opposed to reliable and accurate data. That approach to valuation along with the control weaknesses identified above increased the risk that non-expendable property was misstated at year end. Moreover, as a result of these findings, the Board could not provide assurance regarding the completeness, existence and valuation of non-expendable property at year end.

80. **UNJSPF agreed with the Board's recommendation that (a) reconcile the physical inventory to the asset register; and (b) implement measures to ensure that physical inventory counts were conducted and reconciled with the asset register on a regular basis.**

9. Human resource management

81. The Board noted that the whole office review was currently under way and that among other matters it would seek to address topics relating to recruitment of best talent and the appropriate level of resourcing.

Human resource plan

82. The Board found that a human resource plan was not in place. In the absence thereof, the Board could not assess the overall effectiveness of human resource management, which included human resource planning and forecasting, staff selection and deployment, performance management and the development of relevant skills.

83. The absence of a human resource plan increased the risk that appropriate staff capacity and competencies necessary to perform the functions to achieve the objectives of the Fund might not be planned, in place, monitored or improved on a structured basis.

84. UNJSPF informed the Board that revised objectives outlined for the Executive Office in the third management charter included the design and implementation of workforce, succession planning and staff development policies, as well as the development and implementation of a training plan.

85. **UNJSPF agreed with the Board's recommendation that it develop a human resource plan.**

86. UNJSPF informed the Board that an annual human resource plan would be developed in consultation with the Office of Human Resources Management of the Secretariat to include goals on recruitment rates, gender, geographical representation, mobility, training and performance management.

Succession plan

87. The Board noted that the Fund did not have a succession plan in place. Through succession planning, the Fund would be able to determine whether it could rely on internal promotions or make new appointments, and it would detail actions to identify and develop potential candidates.

88. UNJSPF informed the Board that it intended to use the succession plan of the upcoming talent management project of the Office of Human Resources Management, for which it had volunteered as a pilot office. UNJSPF stated that the definition of succession planning in the context of the United Nations needed to be further developed and clarified in order to avoid possible conflict with United Nations policies on recruitment, mobility and promotion.

89. UNJSPF later informed the Board that its succession planning policy had since been developed and would be presented to its Senior Management Group in July 2008 for approval.

Training plan

90. The Board noted that there was no formal training plan in place at UNJSPF. The Board was informed that training was held as and when needed. Without a training plan, there was a risk that training needs of personnel identified during their performance appraisals might not be addressed.

91. In the absence of a training plan, the training of staff may not be aligned to the development needs of the staff necessary to maintain an efficient and effective workforce.

92. **The Board recommends that UNJSPF implement a training plan together with appropriate processes to sustain all training initiatives.**

93. UNJSPF informed the Board that 2008 training plans had been developed by most of its sections and that the Executive Office would be consolidating the training plans for reference and implementation.

10. Consultants, experts and temporary assistance (contractual services)

Rotation of consulting actuaries

94. The Board noted that the same actuarial firm had been the consulting actuary of the UNJSPF since inception of the Fund. Furthermore, the same personnel had represented the actuary for the last six years. While the benefits of familiarity among professional service providers was acknowledged, the Board had two concerns about the lack of rotation. The first was the perceived impact on independence and objectivity of the actuary and the risk arising from the total reliance of the Fund on one actuary. For a fund of this size and the level of dependence placed on actuarial services, the rotation of the consulting actuary was encouraged.

95. **The Board recommends that UNJSPF: (a) implement processes to rotate the actuary at reasonable time intervals; and (b) consider the appointment of joint actuaries in order to encourage knowledge transfer.**

96. In response to the recommendations made by the Board, UNJSPF presented evidence supporting the retention and ongoing relationship between itself and the

existing consulting actuary. Between 2005 and 2007 various independent studies had been carried out that had supported the Fund's argument in favour of retaining the current consulting actuary.

97. UNJSPF further explained that since 2005 annual evaluations had been conducted by the Committee of Actuaries (a committee of seven actuaries) and that, in its evaluation in 2005, the Committee had noted that the Fund presented many practical and technical challenges. The consulting actuary not only possessed the experience and knowledge to value the Fund, but its fees were also considered relatively reasonable. Furthermore, the Committee was of the opinion that the consulting actuary consistently applied the highest professional standards and produced outstanding work. Additional evaluations in 2006 and 2007 presented similar findings and strengthened the argument for retaining the current consulting actuary.

98. UNJSPF informed the Board that the current contractual arrangements were based on several ongoing, concordant and external professional assessments of the services, both in terms of methods and value for money, and that a change would not provide added value, but instead would result in unnecessary disruptions in the work of the Fund. However, if changes in the assessments were to occur, fund management would be prepared to review the contractual arrangements.

Procurement process

99. Article 10 of document JSPB/G.4/Rev.16 states:

> "A consulting actuary to the Board shall be appointed by the Secretary-General upon the recommendation of the Board for the purpose of providing actuarial services to the Fund."

100. The Board noted that the consulting actuary was appointed by direct procurement instead of normal procurement. According to the procedure general no. 56 (Rev.3) (Guidelines for undertaking direct procurement action) (para. 2):

> "However, the General Assembly also agreed to authorize the CEO to act on his own authority in the following instances which were expected to be quite rare:
>
> (a) When UN/PTD [Procurement and Transportation Division] could not complete the process within the required time frame;
>
> (b) When the CEO was unable to accept a particular recommendation made by UN/PTD or by the UN Committee on Contracts; or
>
> (c) When UN/PTD informed the CEO that a particular contract or procurement action could not be carried out by that office."

101. As the consulting actuary was appointed for a two-year period, management was aware well in advance as to when the contract was coming to an end and a deviation from the procurement process was thus not readily justified. The normal procurement process, which would ensure that other qualified companies were provided an opportunity to bid, was not followed.

102. **The Board recommends that UNJSPF ensure that opportunity is given to other qualified actuarial companies to compete for actuarial services.**

103. UNJSPF stated that, with regard to the recommendation concerning the procurement process, the Fund had agreed with recent comments made by OIOS that any exception to competitive bidding should be justified in writing and approved by the Pension Board. In accordance with article 10 of the Regulations of the Fund, the appointment of the consulting actuary would continue to be based upon the recommendation of the Pension Board. With this in mind, UNJSPF intended to include a standing item on the agenda of the Pension Board, thereby requesting specific approval of the appointment.

104. The Board noted the management considerations and processes to ensure that quality actuarial services were received by the Fund. The details provided by management underscore the Board's concern about the overreliance placed on the actuary and the unique arrangements that had been put in place to retain the sole service of the actuary.

105. **The Board recommends that UNJSPF consider: (a) cross-training by introducing a joint actuary; and (b) developing some in-house actuarial service expertise.**

106. UNJSPF informed the Board that it had been considering developing some in-house actuarial service expertise in the context of the whole office review, which was currently being carried out to undertake an overall review of the staffing and organizational structure of the Fund. Although the precise description of such a function and/or of any additional post was still to be decided upon, the intention was in direct accordance with the Board of Auditors' recommendation. The aim would be to provide the Fund with an independent and better capacity to study, analyse and make sound recommendations with respect to the technical aspects of the Fund's plan design.

11. Pension fund administration

Monthly and annual contribution reconciliations

107. The Board followed up its prior recommendation regarding monthly reconciliations not being performed (paras. 38 and 42 of the 2003 Board report,[a] and para. 37 of its 2005 Board report[b]). The Board noted that the Fund did not perform monthly reconciliations of contributions received and that member organizations were unable to provide the Fund the data on actual contributions collected from their respective staff members on a monthly basis.

108. The Board noted that the Fund continued to perform a yearly reconciliation, but generally did not verify the accuracy of the staff information provided by member organizations. The process took the Fund up to a year or more to complete owing to the volume of transactions and was only performed after year-end closing.

109. This creates a risk that certain contributions due to the Fund may not be received in a timely manner nor invested to generate income or interest for the Fund. The Fund may not have adequate assurance on the completeness and accuracy of contribution income and consequently this may have an impact on the fair presentation of income recorded. At year end, a reconciliation process is performed,

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[a] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 9* (A/59/9), annex XI.

[b] Ibid., *Sixty-first Session, Supplement No. 9* (A/61/9), annex XI.

but corrections from the reconciliation take a year to be effected and are reflected in the financial statements in the subsequent year.

110. The net difference on the participant reconciliation exceptions reports for 2006 was $14 million. If those exceptions had been confirmed through investigations, 2006 income would have been understated. However, the amount cited is based on estimates relating to over 10,000 such reports, so that the final amount could be quite different, as actual exceptions will vary from the estimates.

111. The amount at the end of the year for contributions, reflected in statement I, is therefore a best estimate, based on actual remittances received during the year, but it is not completely accurate. This is because the reconciliation is taking a year to complete and the necessary adjustments are only made in the following year.

112. **The Board recommends that the UNJSPF secretariat: (a) reconcile monthly contributions from member organizations and follow up on reconciling items in a timely manner; and (b) make system enhancements to assist with regular reconciliations where necessary.**

113. UNJSPF informed the Board that the Fund was operating under the constraint that the data to which the Fund currently had access did not enable it to verify independently the contributions remitted on a monthly basis. Furthermore, according to section D of the Fund's Administrative Rules, it was the member organization's responsibility to make the deduction of contributions from a participant's salary and remit proceeds to the Fund.

114. With regard to the recommendation above, UNJSPF stated that it might not be practical to request additional information from the organizations, as they might not by each month end have received the information from their widespread field operations. UNJSPF further stated that a more detailed version of data would still be an estimate for the Fund's purposes since it would not verify contributions until year end. Even if that information were coming in on a monthly basis, the Fund would not upload it into the administration system until it could be verified. Effectively there would be its burden of an additional reconciliation without benefit. In addition, it should be noted that, with one exception, a review of reconciled amounts of remittances showed that no other organization was found to be misreporting its monthly remittances.

115. The Board took note of the practical consideration raised by the Fund, but noted the possible delay in the receipt of the contributions and the relevant interest that could have been earned for the Fund.

116. UNJSPF informed the Board that the recent trend among member organizations to install ERP systems provided an opportunity for an improved interface with the Fund's administration system. New interfaces would allow sharing of payroll information (in addition to human resource data), which could facilitate outgoing reconciliations. UNJSPF considered this a complex initiative, of which a pilot test was currently being planned with one member organization.

117. UNJSPF informed the Board that attempts had recently been made to address the issue of underreporting of contributions and it agreed that it could envisage charging simple interest based on underremittances as per schedule F. The Fund noted that:

(a) There would be no basis to charge interest except for the period after 3 January (due date for December remittances) for proven underremittances;

(b) This would possibly lead to a request for the Fund to pay interest on overremittances.

118. The Regulations and Rules of the Fund, annex 1, section D.1, states:

> "Contributions ... shall be deducted monthly by the member organization from the salary and emoluments of each of its participants in pay status and remitted in dollars to the Fund."

Therefore, in an effective environment, the recipient should have well tested systems and controls to corroborate the information received.

119. **The Board recommends that the UNJSPF secretariat: (a) establish systems to verify the accuracy of the information provided by the member organizations prior to year-end closing; and (b) ensure reconciliations are performed and verified before the financial statements are finalized.**

120. UNJSPF stated that the relationship between it and its constituent entities was collaborative in nature. The time taken to complete the reconciliation was a reflection of the complexity and size of the task. The Fund stated that the records were not completely accurate at year end, but that its income records could be said to be accurate to the extent that they represented the most reliable estimate available.

121. The Fund stated that it accepted the logic of the Board's position, but pointed out that the approach adopted had evolved over many years and had been put in place in an era when information technology resources were less prevalent.

122. UNJSPF informed the Board that it was currently devising a revised approach and seeking to develop a pilot programme together with a new pension administration system to address this and other issues. This approach would invoice member organizations for contributions based on the personnel data that UNJSPF had received from them. However, such complex projects would require funding and implementation over more than one biennium and were dependent on the level of resources that would be made available.

12. Payment of benefits

Certificates of entitlement

123. The Fund had a verification process that was designed to enhance its ability to monitor retiree and beneficiary eligibility to receive continued benefits and to mitigate the risk of the occurrence of fraudulent activities and financial loss. That process was referred to as the certificate of entitlement process, under which all beneficiaries were required to complete and return a signed declaration form once a year.

124. The Fund had a fiduciary responsibility to protect its assets by paying only participants who were entitled to a benefit. The annual certificate of entitlement process was designed to reduce the risk of payments to deceased beneficiaries.

125. The Fund checked the continuing eligibility of beneficiaries by selecting and verifying a sample of the certificates of entitlement. When the certificates were

received from the beneficiaries they were manually scanned through to the system and a sample was selected for verification of beneficiary signatures.

126. The Board noted that the Fund and the certificate of entitlement forms did not require the beneficiaries to sign the form in the presence of a commissioner of oaths (or notary public or equivalent), who would have to certify that the person signing the form was a valid beneficiary. If such a practice were to be implemented, it would give the Fund additional assurance that certificates of entitlement were completed and signed only by valid beneficiaries.

127. UNJSPF informed the Board that this proposal had been reviewed in the past, but that it would be difficult to impose since beneficiaries lived in over 190 countries around the world and many of them were very elderly and unable to travel to regions where such services existed, if they did exist at all. After further discussion with OIOS it had been agreed that in the redesign of a new certificate of entitlement a fraud warning clause would be included.

128. The difficulty of implementing an independent certification process was acknowledged. However, in the absence of a control, it was not clear how the Pension Fund secretariat was discharging its duty to verify the status of beneficiaries.

129. **The Board recommends that the UNJSPF secretariat research and consider alternative controls (other than just warnings) to enhance the certificate of entitlement process.**

130. UNJSPF informed the Board that it would research other international pension funds to determine what additional controls could be implemented in its own certificate of entitlement process. However, the difficulty of following up with individuals residing in 190 countries who often lived outside of the major residential areas was considerable and UNJSPF had rarely encountered fraud as regards its payments.

Level of service

131. The Board followed up on its recommendation pertaining to performance management as per paragraph 102 of its previous report.[b] UNJSPF had agreed with the Board's recommendation to upgrade its level of service to process all benefits within 15 days, in conformity with the Fund's objective.

132. The Board reviewed the monthly performance report for December 2006 and noted an improvement in the average processing time for retirement benefits, from 31 days in 2005 to 21.5 days in 2006. UNJSPF informed the Board that the current reporting system recorded calendar days rather than working days; thus the target of 15 working days for the processing of benefits had primarily been met. The Fund would continue to monitor and improve its benchmarks.

Child's benefit

133. The Board followed up on the issue pertaining to the payment of benefits, which had previously been reported on in paragraphs 78 and 79 of the Board's report.[b] UNJSPF agreed with the Board's recommendation that it improve its techniques for the identification of beneficiaries.

134. Article 36 (Child's benefit) of the Regulations of the Fund provides that a child's benefit shall be payable to each child of a participant who is entitled to a retirement, early retirement or disability benefit or who has died in service, while the child is under the age of 21 and remains unmarried. A child who is over the age of 21 and is incapacitated by illness or injury for substantial gainful employment shall also be eligible for a benefit. Conditions and minimum and maximum levels per annum are described in the Regulations of the Fund.

135. In 2006, the Pension Fund paid child and orphan benefits amounting to $18.95 million and in 2005 benefits were paid in the amount of $17.9 million.

136. The Board reviewed a sample of 15 beneficiary payments and found that inadequate controls existed to verify the continued eligibility for child benefits once initially established. There were inadequate system controls to actually identify all children who had reached the age of 21 or those who married before turning 21. It was noted that the certificate of entitlement process did not specifically confirm individual children's status as single or married. The certificates of entitlement could be used to verify the marital status of children under the age of 21 to ensure that child beneficiaries were still eligible to receive benefits. The Fund was thus exposed to the risk that payments to certain children in receipt of benefits might not be valid due to their marriage while under the age of 21.

137. **The Board reiterates its previous recommendation that the Fund secretariat improve its identification techniques for beneficiaries by enhancing the certificate of entitlement process and including steps to verify the continuing eligibility of children for child's benefit.**

138. UNJSPF informed the Board that it was its intention to request the Pension Board and the General Assembly in 2008 to agree to amend article 36 to delete the requirement that a child must remain unmarried in order to receive a benefit. There were currently only 146 cases that had been terminated by UNJSPF owing to marriage prior to age 21 (since 1975) and the cost involved would be negligible if the provision, which was difficult to monitor, were deleted. With regard to children aged 21, dates of birth of children were recorded and audited in the system prior to the retirement of the main beneficiary and the Fund utilized an automated programme to terminate benefits for children as at their twenty-first birthday. In addition, the certificate of entitlement process/form for the main beneficiary included the children's benefits being paid and required certification by the main beneficiary that all benefits continued to be valid.

Suspended and reinstated beneficiaries

139. Section 9 (Follow-up procedures for unreturned certificates of entitlements) of procedure general no. 2001-68 (Consolidated procedure for processing and follow-up of certificates of entitlement) provides that when certificates of entitlement are not returned by the cut-off date (i.e. approximately 60 days after the initial mailing) a second certificate should be sent to the beneficiary to the same address.

140. After the review is completed, cases are placed in the CENTRAN queue in the Payments Section. This queue consists of cases that are to be suspended, that is, those beneficiaries who have not returned the certificates of entitlement and where no contact with the beneficiary was made or where there were other reasons found to delay suspension of the payment of the benefit. At the May payroll cut-off date, a

program is executed by the Information Management System Service's Payments Section to suspend payment of all cases in CENTRAN and the related cases are automatically closed by the system.

141. The procedure states that if certificates of entitlement are received after the May payroll cut-off date the Client Servicing and Records Management and Distribution Unit will review signatures and determine if the benefits should be reinstated and routed to the Payment Section so that the benefits are reinstated with the next monthly payroll.

142. The Board reviewed a sample of 15 reinstated beneficiaries. Of the sample, the Board could not trace returned certificates of entitlement on the contents manager file for four beneficiaries (27 per cent). In order to reinstate those benefits the certificate of entitlement had to be received and the signature reviewed to determine whether the benefits should be reinstated.

143. **The UNJSPF secretariat agreed with the Board's recommendation that it reinstate beneficiaries only after inspection and signature verification of certificates of entitlement and maintain supporting evidence in the contents manager file.**

144. UNJSPF stated that no benefit was reinstated without a detailed review of the case in question and a determination that the beneficiary was indeed alive. UNJSPF further stated that many beneficiaries were very elderly and that, when reinstating benefits, it did not in all cases insist on the signing of the document itself if adequate proof existed that the beneficiary was indeed still alive. Such proof could be an original letter signed by the beneficiary with an indication as to why prior certificates of entitlement had not been received or asking why the benefit had been suspended. Thus the Chief of the Client Servicing and Records Management and Distribution Unit had the discretion to set aside the requirement of a certificate of entitlement upon receipt of other documentation bearing the original signature of the beneficiary. The Fund would revise the general procedure to state this fact.

Participant reconciliation exceptions

145. The accuracy and timeliness of recording participants' data is one of the main challenges for the Fund, because it has an impact on the quality of its service. Any error that has not been cleared before the separation time will delay the payment of benefits. The Fund has committed itself to processing benefits within 15 working days of the receipt of all documentation and has set up three reconciliation procedures, known as participant reconciliation exceptions, to prevent inaccurate or untimely recording of participant data, on a yearly basis, as well as at the time of separation. Only the latter reconciliation is performed comprehensively.

146. The Fund identified approximately 12,035 participant reconciliation exceptions (corrections) in 2006, amounting to an estimated $14.2 million, and it expected a similar number in 2007. The process for 2007 had not yet been performed and so such exceptions were not known at the time of the audit.

147. The Fund prioritizes participant reconciliation exceptions by addressing those with all material differences as well as those which are recurring over several years. However, any participant reconciliation exceptions that are not resolved at year end are carried forward to the earlier of separation or resolution of the case. This is likely to lead to delays in payment at the time of separation as there may still be

unreconciled differences. As a result this may hinder the Fund's commitment to process benefits within 15 days and the accuracy of contributions recorded.

148. **The Board recommends that the UNJSPF secretariat collaborate with member organizations to significantly reduce the number of participant reconciliation exceptions and increase the proportion reconciled at year end.**

149. UNJSPF informed the Board that it collaborated with member organizations as and when opportunities arose. It stated that the difficulty in clearing participant reconciliation exceptions was due in part to limited resources available at the payroll units of the member organizations.

150. UNJSPF noted that, with regard to the payment of benefits, it was the Fund's policy not to delay payment when there were unresolved issues, but to make payment for the reconciled portion of the benefit, with further payment being made once reconciliation had taken place. Additionally, the Fund made every effort to ensure that unresolved reconciliations of participants aged over 55 were finalized as soon as possible so as to avoid problems on retirement.

151. UNJSPF also informed the Board that its Accounts Unit was currently working to enhance the Fund's ability to analyse participants' break in service and leave without pay periods, which were the source of many participant reconciliation exceptions. With better tools to monitor those areas, the Fund would be able to reduce the number of participant reconciliation exceptions and to rectify generated exceptions in a more timely manner.

Data transfer processes

152. The Board followed up on the issue of the management of participants' data, which had been reported upon in paragraphs 73-76 of its last report.[b] UNJSPF had agreed with the Board's recommendation to increase the proportion of participants covered by automated data transfer. The Fund was actively developing working relationships and interfaces with the three popular ERP systems and was expecting an increase in the number of participant records exchanged electronically.

153. The automation of the data transfer process through the interface yields an advantage for the Fund since time is saved with automated processes. The implementation of the interface between the Integrated Management Information System and the Fund's administration system had led to a reduction in the number of scanned personal action forms and efficiencies had thus been gained. Further progress in automation had been delayed as many member organizations were busy with multi-year projects to replace existing systems with new ERP systems or with reorganization of their headquarters payroll functions.

154. **The Board reiterates its previous recommendation that the UNJSPF Fund secretariat further increase the proportion of participants covered by automated data transfers.**

155. **The Board further recommends that the Fund develop its data transfer automation strategy.**

Recoverability of overpayments

156. The Board recognized the difficulty in implementing controls to ensure that benefits were not paid to deceased beneficiaries, as certificates of entitlement forms

were only required to be completed once a year and also because the Fund had no way of knowing if the beneficiary was deceased until the Fund was notified through the certificate of entitlement process. However, it was the responsibility of the Fund to maintain controls to ensure that, once it was notified or became aware that a beneficiary was deceased, it stopped the payment of benefits and established whether there were overpayments to be recovered from the deceased's estate.

157. The Board reviewed the accounts receivable schedule of outstanding amounts from deceased beneficiaries and noted that as at 28 November 2007 there was an outstanding amount of $2.8 million and some of the balances that made up that total were long outstanding.

158. There is a risk that long outstanding amounts may not be recoverable and lead to an overstatement of the accounts receivable amount in the financial statements.

159. UNJSPF informed the Board that it had implemented an accounts receivable (relating to overpayments) module within its accounting software. UNJSPF stated that the benefits of the new module were evident from the analysis of ageing performed by the Board. Previously, such data had not been available in a form that allowed for detailed analysis. The revised approach meant that the Fund now had the possibility of focusing upon particular subsets of data by period or value.

160. **The Board recommends that the UNJSPF Fund secretariat: (a) implement improved controls and procedures to ensure that amounts outstanding from deceased estates are recovered in a timely manner; and (b) establish a policy on the accounting treatment of long outstanding amounts that are not recoverable.**

161. UNJSPF stated that, although it recognized the risk identified by the Board, it was confident that with the accounting tools now available its staff could proactively monitor cases and implement recovery on a timely basis. The Fund commented that, since the new module had been implemented, a total turnover of some $3.2 million had been processed via accounts receivable. Follow-up letters were being sent out automatically at specified periods and recovery from payroll (where other benefits were still payable) was now undertaken more efficiently.

13. Internal audit function

162. Internal audit services are provided to the Fund by OIOS, which is the primary internal auditor of the United Nations Secretariat.

Internal audit plan

163. The Board reviewed the report on the internal audit's 2007 programme of work for UNJSPF operations as at 31 October 2007, released by OIOS to the Audit Committee on 19 November 2007, and noted that the audit work plan was based on the assessment of risks. During 2007, OIOS had undertaken seven audits, five in areas it ranked as high risk and two in medium risk areas. Of the 11 audit assignments planned for 2007, OIOS had encountered delays in the completion of some of its planned work.

164. This late or non-completion of planned assignments at the time reduced the extent of reliance the Board was able to place on the work covered by internal audit as it reflected the Office's capacity constraints in relation to its workplan as acknowledged in the report to the Audit Committee. The recent establishment of the

Audit Committee of UNJSPF provides a mechanism through which the workplans and outputs of internal audit are considered and tracked.

165. OIOS noted that, although 11 assignments were planned for 2007, this did not imply that all 11 audit reports were due to be issued before the end of 2007, and that reports were very often not completed within a calendar year.

166. OIOS further informed the Board that, in addition to the delay in recruitment and the unsuccessful bidding exercise for a consultant, other circumstances such as the timing of the Pension Board meeting (in connection with the audit of governance) and auditee-requested postponements had also had an effect on the planned completion of projects.

167. **OIOS agreed with the Board's recommendation that it take measures to fully implement its workplan.**

168. OIOS informed the Board that it had pursued, in consultation with UNJSPF management and the Audit Committee, a more realistic workplan for 2008 and that it had created the New York Audit Service to ensure that audits were closely overseen and monitored. Furthermore, it had implemented a stronger audit management process with monthly reporting to its senior management on the progress of assignments.

Internal audit resources

169. The report on the internal audit's 2007 programme of work for UNJSPF operations as at 31 October 2007 stated that the audit workplan had anticipated an increase in the available audit staff resources for the entire year and that an actuarial consultant would be engaged to carry out the actuarial valuation audit. However, delays in the recruitment of additional staff and unsuccessful bidding for a qualified actuarial firm to assist in conducting the actuarial audit had resulted in the need to revise the planned completion of several assignments and the deferment to 2008 of audits planned for 2007.

170. This created a risk that, owing to lack of capacity, OIOS might not complete its annual audit workplan and thus not provide management, the Audit Committee and the Pension Board with the required level of assurance on the control environment.

171. **OIOS agreed with the Board's recommendation that it expedite the recruitment of additional resources to enable it to fulfil its mandate.**

172. OIOS informed the Board that the delay in the recruitment process and the inability to procure a firm for actuarial audit were due to factors beyond its control. OIOS intended to carry out the actuarial audit in 2008, after the Procurement Service of the Secretariat had conducted a second round in the bidding exercise. OIOS further informed the Board that the vacant posts for audit staff had since been filled.

14. Internal audit findings

173. The table below presents assignments and significant findings from audits performed by OIOS during the biennium 2006-2007:

Assignments completed by the Office of Internal Oversight Services during the biennium 2006-2007

Subject of the audit
2006
Governance
Treasury, cashier and investment
Disaster recovery/business continuity
Custodians/(master record keeper)
Lawson accounting system
Advisory and brokerage services
2007
Cash management operations of the UNJSPF secretariat and the Information Management Service
UNJSPF governance mechanism
Financial accounting and reconciliations: (a) the Information Management Service; (b) the secretariat
Procurement management
Payroll processing: payments through the United Nations Educational, Scientific and Cultural Organization

Significant issues for 2006

174. At the meeting of the Audit Committee in February 2007, OIOS provided its summary of significant audit issues. The Board highlights several of its findings below.

Lawson accounting system

175. OIOS observed that, although the Lawson system included adequate controls to ensure the integrity of the Fund's information, there were some areas requiring improvement, in particular the lack of adequate interfaces between critical systems such as the Fund's administration system and content manager and its capacity for multiperiod reporting.

176. OIOS noted that the Investment Management Service needed to increase the level of system security control. Control could also be enhanced by ensuring further segregation of duties and by formalizing the change management process in the Information Management Systems Service.

177. OIOS expanded the audit to include a review of related procurement and information technology contractual arrangements. It noted that although UNJSPF was an inter-agency body and subsidiary organ of the General Assembly, it was not required to follow the regulations and rules of any of its member organizations. The

Fund's practice has been to adhere, as much as possible, to the Financial Regulations and Rules of the United Nations. However, OIOS observed that the Fund did not fully comply with the United Nations procurement regulations and rules (as it related to high-value contracts to be considered by the Headquarters Committee on Contracts) when conducting direct procurement of goods and services.

178. OIOS issued a total of 30 recommendations, 25 of which were accepted by UNJSPF management. The Office reported that the Fund had taken steps to address all outstanding recommendations, including those which were not accepted, and that several of the recommendations were to be addressed as part of the Lawson upgrade.

Audit of business continuity and disaster recovery planning

UNJSPF secretariat

179. OIOS noted several areas requiring improvement. UNJSPF's business continuity plan did not incorporate certain provisions critical for the successful resumption of business.

Investment Management Service

180. OIOS noted that the Investment Management Service had developed a business continuity plan, but that it was still in draft form, and that the Service did not have a disaster recovery plan.

Significant issues for 2007

181. The Board reviewed the 2007 OIOS reports and noted the following significant matters identified by the Office:

(a) The three-month delay in completing the monthly reconciliation between the management reports and the general ledger resulted in late discovery of errors and omissions;

(b) The internal investment system of the Investment Management Service did not have built-in reconciliation capability and was therefore not effective enough as a performance monitoring tool;

(c) As also reported by the Board, OIOS noted that the Board had not been successful in collecting delinquent tax claims (prior to 2002);

(d) The Investment Management Service had not presented its revised investment manual, which included guidelines on proxy voting, to the Pension Board for its review and approval;

(e) The responsibility for signing off on the underlying completeness, accuracy and validity of the accounting data drawn from the different sources was not clearly assigned between the Fund secretariat and the Investment Management Service;

(f) The memorandum of understanding between the Fund secretariat and the Investment Management Service did not explicitly address the roles and the responsibilities relating to accounting and reconciliation;

(g) Activities increased with growth in the volume of investments, participants, beneficiaries and member organizations, and the volume of accounting transactions and reconciliations had escalated without a proportionate increase in focus given to the reconciliation process;

(h) The Fund had not updated its accounting manual since 1991;

(i) Procedures for reconciliation of the general ledger accounts and for closing the books were not documented;

(j) The delays in closing the books could compromise the accuracy and reliability of the accounting records;

(k) A number of general ledger accounts had not had any activity for over 12 months. The inactive accounts were not monitored and were not included in the reconciliation process at the time of its audit;

(l) The Fund continued to experience delays of up to 110 days in the final reconciliation of its bank accounts;

(m) A number of bank reconciliations contained unidentified transactions that dated back, in some instances, to prior years.

182. **The Board considers that the findings of OIOS highlighted significant deficiencies in these various areas and underscores the need for UNJSPF to address them.**

15. Write-offs and disposals

183. The administration informed the Board that, in accordance with United Nations financial rule 106.8, the Fund had nil property losses and write-offs with respect to accounts receivables during the biennium 2006-2007.

16. Ex gratia payments

184. The administration reported no ex gratia payments for the period under review.

17. Cases of fraud and presumptive fraud

185. UNJSPF reported 10 cases of fraud or presumptive fraud to the Board and stated that none of the cases had resulted in financial loss to the Fund, but represented attempts to cash fraudulent cheques in the name of UNJSPF.

C. Acknowledgement

186. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the Chief Executive Officer and Representative of the Secretary-General and members of their staff.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
(Chairman, United Nations Board of Auditors)

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Commission on Audit

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa
(Lead Auditor)

30 June 2008

Appendix

Analysis of the status of implementation of the Board's recommendations for the biennium ended 31 December 2005

Subject	*Paragraph reference*[a]	*First reported*	*Fully implemented*	*Partially implemented*	*Not implemented*
1. Cost-sharing obligations between the Pension Fund and the United Nations	24	2004-2005	X		
2. Recruitment of accounting staff and review of the accounting manual	30	2002-2003	X		
3. Reconciliation of contributions on a periodic basis	37	2000-2001			X
4. Timely preparation of monthly bank reconciliations	40	2004-2005		X	
5. Investment performance benchmark	48	2002-2003	X		
6. Level of tolerance for risk	50	2004-2005		X	
7. Finalization of the asset-liability management study	55	2004-2005	X		
8. Foreign exchange transactions	58	2004-2005	X		
9. Recruitment of risk management and compliance officers	61	2004-2005		X	
10. Trade order management system	65	2004-2005		X	
11. Variations in staff costs	70	2004-2005	X		
12. New premises	72	2004-2005	X		
13. Automated data transfers	77	2004-2005		X	
14. Identification of beneficiaries	80	2004-2005		X	
15. Payment procedures	82	2004-2005		X	
16. Alignment of databases	85	2004-2005	X		
17. Maintenance of benefit databases	90	2004-2005		X	
18. Evaluation of consultants	94	2004-2005	X		
19. Information and communications technology security policy	99	2004-2005	X		
20. Processing of benefits	102	2004-2005		X	
Total		**21**	**11**	**9**	**1**
Percentage			**52**	**43**	**5**

[a] *Official Records of the General Assembly, Sixty-first Session, Supplement No. 9* (A/61/9), annex IX.

Annex X

Size and composition of the United Nations Joint Staff Pension Board

Group	*Number of members*	*Composition*
I. United Nations	12	United Nations Staff Pension Committee
		4 from members elected by the General Assembly
		4 from members appointed by the Secretary-General
		4 from members elected by the participants
II. FAO	3	FAO Staff Pension Committee
		1 from members elected by the governing body
		1 from members appointed by the Director-General
		1 from members elected by the participants
WHO	3	WHO Staff Pension Committee
		1 from members elected by the governing body
		1 from members appointed by the Director-General
		1 from members elected by the participants
III. UNESCO	2	Staff pension committees in groups III, IV and V
ILO	2	
IAEA	2	5 from members elected by the governing bodies
IV. UNIDO	1.5	
WIPO	1.5	5 from members appointed by the executive heads
ICAO	1.5	
ITU	1.5	
V. WMO	1	5 from members elected by the participants
IMO	1	
IFAD	1	
VI. ICC		
ICGEB		
WTO		
ICCROM		
ISA		
ITLOS		
IPU		
EPPO		
IOM		
Total	**33**	

Annex XI

Size and composition of the Standing Committee

Group	*Number of members*	*Composition*
I. United Nations	6	United Nations Staff Pension Committee
		2 from members elected by the General Assembly
		2 from members appointed by the Secretary-General
		2 from members elected by the participants
II. FAO	1.5	
WHO	1.5	3 from members elected by the governing bodies
III. UNESCO	1	
ILO	1	
IAEA	1	3 from members appointed by the executive heads
IV. UNIDO/WIPO	1	
ICAO/ITU	1	
V. WMO/IMO/IFAD	1	3 from members elected by the participants
VI. ICC		
ICGEB		
WTO		
ICCROM		
ISA		
ITLOS		
IPU		
EPPO		
IOM		
Total	**15**	

Annex XII

Allocation and rotation of seats on the United Nations Joint Staff Pension Board after 2006

Group	Member organization	Regular Board session 2006			First regular Board session after 2006			Second regular Board session after 2006			Third regular Board session after 2006			Fourth regular Board session after 2006			Fifth regular Board session after 2006		
I	United Nations	4 GA	4 SG	4 P	4 GA	4 SG	4 P	4 GA	4 SG	4 P	4 GA	4 SG	4 P	4 GA	4 SG	4 P	4 GA	4 SG	4 P
II	FAO	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P
	WHO	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P
III	UNESCO	GB		P	GB	DG			DG	P	GB		P	GB	DG			DG	P
	ILO		DG	P	GB		P	GB	DG			DG	P	GB		P	GB	DG	
	IAEA	GB	DG			DG	P	GB		P	GB	DG			DG	P	GB		P
IV	UNIDO			P	GB	DG		GB				DG	P			P	GB	DG	
	WIPO	GB	DG				P		DG	P	GB			GB	DG				P
	ICAO	GB	DG				P	GB		P	GB			GB	DG				P
	ITU			P	GB	DG			DG			DG	P			P	GB	DG	
V	WMO	GB				DG				P	GB				DG				P
	IMO		DG				P	GB				DG				P	GB		
	IFAD			P	GB				DG				P	GB				DG	
VI	ICC																		
	ICGEB																		
	WTO																		
	ICCROM																		
	ISA																		
	ITLOS																		
	IPU																		
	EPPO																		
	IOM																		
Totals		11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11

Annex XIII

Allocation and rotation of seats on the Standing Committee after 2006 (elections to take place during the indicated Board sessions)

Group	Member organization	Regular Board session 2006			First regular Board session after 2006			Second regular Board session after 2006			Third regular Board session after 2006			Fourth regular Board session after 2006			Fifth regular Board session after 2006		
I	United Nations	2 GA	2 SG	2 P	2 GA	2 SG	2 P	2 GA	2 SG	2 P	2 GA	2 SG	2 P	2 GA	2 SG	2 P	2 GA	2 SG	2 P
II	FAO WHO	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P
III	UNESCO ILO IAEA	GB	DG	P	GB	DG	P	GB	DC	P	GB	DG	P	GB	DG	P	GB	DG	P
IV	UNIDO, WIPO ICAO, ITU		DG	P	GB		P	GB	DG			DG	P	GB		P	GB	DG	
V	WMO IMO IFAD	GB				DG				P	GB				DG				P
VI	ICC ICGEB WTO ICCROM ISA ITLOS IPU EPPO IOM																		
Totals		5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5

Annex XIV

Recommendations to the General Assembly for amendments to the Regulations of the United Nations Joint Staff Pension Fund[a]

Existing text	*Proposed text*	*Comments*
Article 21. Participation		
...	*No change*	**Moved from supplementary article A (Part-time employment), which should be deleted.**
New paragraph 21 (d) moved from supplementary article A: (d) Notwithstanding the provisions of (a) above, a member of the staff of each member organization whose employment is for at least half the time of full-time members of the staff shall also become a participant in the Fund;		
(e) The entitlement to and the amount of benefits resulting from part-time employment shall be reduced in the ratio which it bears to full employment.	(e) The entitlement to and the amount of benefits resulting from part-time employment shall be reduced in the ratio which it bears to full employment, unless such participants accrued contributory service and made additional contributions in respect of the difference between the part-time and a notional full-time employment during the part-time employment, as described in articles 22 (c) and 25 (b) (iii).	**The first part moved from supplementary article A.** **To allow the purchase of additional contributory service by part-time staff.**
Article 22. Contributory service		**To allow the purchase of additional contributory service by part-time staff.**
(a) Contributory service shall accrue to a participant in pay status from the date of commencement to the date of cessation of participation. For the purposes of articles 28 (b) and (c) and 29 (b), separate periods of contributory service shall be aggregated except that in such aggregation no account shall be taken of periods of service in respect of which a withdrawal settlement was paid and which were not subsequently restored;	(a) Contributory service shall accrue to a participant in pay status from the date of commencement to the date of cessation of participation. For the purposes of articles 28 (b) and (c) and 29 (b), separate periods of contributory service shall be aggregated except that in such aggregation no account shall be taken of periods of service in respect of which a withdrawal settlement was paid and which were not subsequently restored;	

[a] Proposed additions are indicated by underlining and proposed deletions appear in boldfaced type within square brackets.

Existing text	*Proposed text*	*Comments*
(b) Contributory service may accrue in respect of leave without pay if contributions are received by the Fund in accordance with article 25 (b);	(b) Contributory service may accrue in respect of leave without pay if contributions are received by the Fund in accordance with article 25 (b).	
	(c) With respect to a period of part-time employment, contributory service may also accrue in accordance with article 21 (d), subject to additional contributions being made by the participant in accordance with article 25 (b) (iii) for the difference between the actual part-time employment and a notional full-time employment;	
(c) Additional contributory service may accrue to a participant if prior service is validated or restored in accordance with article 23 or 24, or if service in a member organization prior to its admission to membership has been recognized as contributory.	(d) Additional contributory service may accrue to a participant if prior service is validated or restored in accordance with article 23 or 24, or if service in a member organization prior to its admission to membership has been recognized as contributory.	
Article 23. Validation of non-contributory service		
New article 23 (e) moved from supplementary article A	*No change*	**Moved from supplementary article A**
(e) Part-time employment pursuant to article 21 (d) which took place prior to 1 January 1975 shall not be open to validation or be taken into account for any other purpose.		
Article 24. Restoration of prior contributory service		
(a) A participant re-entering the Fund on or after 1 April 2007, who previously had not, or could not have, opted for a periodic retirement benefit following his or her separation from service, may, within one year of the recommencement of participation, elect to restore his or her most recent period of prior contributory service. Any participant in active service who re-entered the Fund before 1 April 2007 and was previously ineligible to elect to restore prior contributory service owing to the length of such prior service, may now	(a) A participant re-entering the Fund on or after 1 April 2007, who previously had not, or could not have, opted for a periodic retirement benefit following his or her separation from service, may, within one year of the recommencement of participation, elect to restore his or her most recent period of prior contributory service. **[Any participant in active service who re-entered the Fund before 1 April 2007 and was previously ineligible to elect to restore prior contributory service owing to the length**	**To clarify that elimination of the limitation on the right to restoration approved by the General Assembly in its resolution 61/240 and in effect since 1 April 2007 covered not only participants who had received a withdrawal settlement, but also**

Existing text	*Proposed text*	*Comments*
do so by an election to that effect made before 1 April 2008;	**of such prior service, may now do so by an election to that effect made before 1 April 2008.]** Furthermore, and under the same terms and conditions, restoration of the most recent period of contributory service may also be elected if, before 1 April 2007, a participant had elected under article 30, or was deemed to have elected under article 32, a periodic deferred retirement benefit that was not yet in payment at the time of said election;	**those who before 1 April 2007 had elected or are deemed to have elected a deferred retirement benefit (full or partial), as long as no payments of their periodic deferred benefit had been made.**
(b) Notwithstanding the provisions of (a) above, if the recipient or former recipient of a disability benefit again becomes a participant in pay status, the contributory service, for which the participant has not received a benefit, preceding the commencement of the disability benefit, shall be restored;	(b) Notwithstanding the provisions of (a) above, if the recipient or former recipient of a disability benefit again becomes a participant in pay status, the contributory service, for which the participant has not received a benefit, preceding the commencement of the disability benefit, shall be restored. Furthermore, in such a case the disability benefit period will be recognized as contributory service, without the payment of any contributions;	**For participants who return to active contributory service after a period on disability, to count such period of disability as contributory service without requiring the participants and employers to pay contributions for that period.**
(c) A beneficiary of the participant may make the election under (a)-(c) above, under the same conditions as a beneficiary under article 23 (b);	(c) A beneficiary of the participant may make the election under (a)[-(c)] above, under the same conditions as a beneficiary under article 23 (b).	
(d) Restoration under (a) above shall be subject to receipt by the Fund of contributions in accordance with article 25 (d).		
Article 25. Contributions		
(b) (i) Contributions for the purpose of article 22 (b) in respect of a period of leave without pay shall be at a percentage rate of the pensionable remuneration of the participant equal to the applicable rates specified in (a) above as payable by the participant and by the employing member organization, combined. Such contributions shall be payable concurrently with such leave, by the	(b) (i) Contributions for the purpose of article 22 (b) in respect of a period of leave without pay shall be at a percentage rate of the pensionable remuneration of the participant equal to the applicable rates specified in (a) above as payable by the participant and by the employing member organization, combined. Such contributions shall be payable concurrently with such leave, by the	**No change.**

Existing text	*Proposed text*	*Comments*
participant in full or by the organization in full, or in part by the participant and in part by the organization;	participant in full or by the organization in full, or in part by the participant and in part by the organization;	
(ii) Notwithstanding the provisions of (i) above, payments in respect of a period of leave without pay during which a disability benefit was being paid under article 33 may be made, but only on the cessation of entitlement thereto, or within 12 months of the resumption of pay status by the participant;	(ii) Notwithstanding the provisions of (i) above, payments in respect of a period of leave without pay during which a disability benefit was being paid under article 33 may be made, but only on the cessation of entitlement thereto, or within 12 months of the resumption of pay status by the participant;	**No change.**
	(iii) Contributions for the purpose of article 22 (c) in respect of a difference between the actual part-time employment and a notional full-time employment shall be at a percentage rate of the pensionable remuneration of the participant equal to the applicable rates specified in (a) above as payable by the participant and by the employing member organization, combined. Such contributions shall be payable by the participant in full concurrently with the period of part-time employment. Any such additional contributions would be accepted only for a one-time period of part-time employment, for a maximum of three consecutive years;	**To allow the purchase of additional contributory service by part-time staff.**
(c) Contributions for the purpose of validation under article 23 shall be payable, with interest, by the participant and the organization in the amounts which would have been payable respectively by each had service during the period been contributory;	(c) Contributions for the purpose of validation under article 23 shall be payable, with interest, by the participant and the organization in the amounts which would have been payable respectively by each had service during the period been contributory;	
(d) Contributions for the purpose of restoration under article 24 (a) shall consist of the withdrawal settlement received by the participant in respect of the previous participation, together with the refund, if any, received by the employing member organization in respect of such participation under article 26 of the Regulations in force on 31 December 1982, with interest from the date of payment of the benefit or refund.	(d) Contributions for the purpose of restoration under article 24 (a) shall consist of the **[withdrawal settlement]** lump-sum payment received by the participant in respect of the previous participation, together with the refund, if any, received by the employing member organization in respect of such participation under article 26 of the Regulations in force on 31 December 1982, with interest from the date of payment of the benefit or refund.	**This covers participants who had commuted a part of their deferred retirement benefit into a lump sum before 1 April 2001 when the partial commutation option was eliminated.**

Existing text	*Proposed text*	*Comments*
Article 35 bis. Divorced surviving spouse's benefit		
(b) Subject to paragraph (d) below, the divorced spouse is entitled to the benefit set out in paragraph (c) below, payable prospectively following receipt of the request for a divorced surviving spouse's benefit, if, in the opinion of the Chief Executive Officer of the Fund, all of the following conditions are fulfilled:	(b) Subject to paragraph (d) below, the divorced spouse is entitled to the benefit set out in paragraph (c) below, payable prospectively following receipt of the request for a divorced surviving spouse's benefit, if, in the opinion of the Chief Executive Officer of the Fund, all of the following conditions are fulfilled:	
(i) ...	(i) ...	**No change.**
(ii) The former spouse has not remarried;	**[(ii) The former spouse has not remarried;]**	**Eliminate the marriage "penalty" for surviving divorced spouses who will become eligible to article 35 bis benefit on or after 1 January 2009.**
(iii) - (iv) ...	(iii) - (iv) ...	**No change.**
(v) Evidence is provided by the former spouse that the participant's pension entitlement from the Fund was not taken into account in a divorce settlement;	(v) Evidence is provided **[by the former spouse]** that **[the participant's pension entitlement from the Fund was not taken into account in]** a divorce settlement does not have an express renouncement of UNJSPF pension benefit entitlements;	**To reverse the requirement for negative proof by the surviving divorced spouse and to modify article 35 bis (b) (v) to read in a way that an express renouncement of Fund pension benefits would be the only situation under which the condition could be deemed not to have been met.**
(e) The divorced spouse of a former participant who separated before 1 April 1999 and, in the opinion of the Chief Executive Officer, met all the other eligibility conditions in paragraphs (a) and (b) above shall be entitled as from 1 April 1999 to a benefit equal to twice the minimum surviving spouse's benefit under	(e) The divorced spouse of a former participant who separated before 1 April 1999 and, in the opinion of the Chief Executive Officer, met all the other eligibility conditions in paragraphs (a) and (b) above shall be entitled as from 1 April 1999 to a benefit equal to twice the minimum surviving spouse's benefit	**To introduce an effective date for the minimum benefit payable to the surviving divorced spouse of a former participant who separated before**

Existing text	*Proposed text*	*Comments*
article 34 (c), subject to the proviso that the amount of such benefit cannot exceed the amount payable to a surviving spouse of the former participant.	under article 34 (c), payable from the first day of the month succeeding the death of the former participant, subject to the proviso that the amount of such benefit cannot exceed the amount payable to a surviving spouse of the former participant.	**1 April 1999, that is, the benefit in these cases would be payable from the time of death of a former UNJSPF participant, irrespective of when the request was received by the Fund.** **The change would concern those divorced spouses who will become eligible to article 35 bis (e) benefit on or after 1 January 2009.**
Article 35 ter. Spouses married after separation		
(a) A former participant receiving a periodic benefit may elect to provide a periodic benefit for life in a specified amount (subject to paragraph (b) below) to a spouse who was not married to him or her at the date of separation. Such election shall be made within 180 days of the date of marriage or of the entry into force of this provision, if later, and shall become effective one year after the date of marriage, or one year after the date of entry into force of this provision, as appropriate. The benefit shall be payable as of the first day of the month following the death of the former participant. When the election becomes effective, the benefit payable to the former participant shall be reduced in accordance with actuarial factors to be determined by the Fund's Consulting Actuary. An election under this subsection may not be revoked after it becomes effective, except by the death of the spouse, in which case it will be considered terminated as from that date;	(a) A former participant receiving a periodic benefit may elect to provide a periodic benefit for life in a specified amount (subject to paragraph (b) below) to a spouse who was not married to him or her at the date of separation. Such election shall be made within one year [**180 days**] of the date of marriage or of the entry into force of this provision, if later, and shall become effective 18 months [**one year**] after the date of marriage. [, **or one year after the date of entry into force of this provision, as appropriate.**] The benefit shall be payable as of the first day of the month following the death of the former participant. When the election becomes effective, the benefit payable to the former participant shall be reduced in accordance with actuarial factors to be determined by the Fund's Consulting Actuary. An election under this subsection may not be revoked after it becomes effective, except by an explicit request in writing by the former UNJSPF retiree who has divorced the new spouse or by	**A one-year election period would be in line with the election period for restoration of prior contributory service (article 24) and validation of non-contributory service (article 23). This gives former UNJSPF participants more time to elect the option.** **UNJSPF retirees are given an option, based on a valid**

Existing text	*Proposed text*	*Comments*
	the death of the spouse, in which case it will be considered terminated as from that date. The UNJSPF retiree may rescind his or her decision to provide a periodic benefit for life to a spouse married after separation by providing the Fund with a final divorce decree issued by a competent national court. Payments made for the annuity before such a cancellation will not be refunded to a UNJSPF retiree, neither do such payments convey to the divorced spouse a benefit entitlement from the Fund;	**court order, to reverse their personal decision to purchase an annuity for the spouse married after their separation from service.**
Article 36. Child's benefit		
(a) A child's benefit shall, subject to (b) and (c) below, be payable to each child of a participant who is entitled to a retirement, early retirement or disability benefit or who has died in service, while the child remains unmarried and under the age of 21;	(a) A child's benefit shall, subject to (b) and (c) below, be payable to each child of a participant who is entitled to a retirement, early retirement or disability benefit or who has died in service, while the child remains **[unmarried and]** under the age of 21;	**To eliminate the marriage "penalty" by providing the child's benefit to all who remain under the age of 21.**
Supplementary article A. Part-time employment	*Delete*	**Incorporated into article 21.**

Annex XV

Amendment to the Administrative Rules of the United Nations Joint Staff Pension Fund

Existing text	*Proposed text*	*Comments*
Section B. Participation		
B.6 (b) A participant who is separated from the service of a member organization and who again becomes a participant in the Fund in accordance with article 21 (a) of the Regulations within 12 months after such separation and without a benefit having been paid shall continue in participation in accordance with article 21 (b). In calculating the period between the dates of separation and re-entry into participation under article 21 (a) no recognition shall be given to any intervening non-contributory service even if subsequently validated under article 23.	B.6 (b) A participant who is separated from the service of a member organization and who again becomes a participant in the Fund in accordance with article 21 (a) of the Regulations within [12] 36 months after such separation and without a benefit having been paid shall continue in participation in accordance with article 21 (b). In calculating the period between the dates of separation and re-entry into participation under article 21 (a) no recognition shall be given to any intervening non-contributory service even if subsequently validated under article 23.	**To align the time limit with articles 21 and 32 of the Regulations of the Fund, which were amended in 1998.**
Section D. Contributions and interest		
D.2 Contributions for the purpose of validation, restoration, or the accrual of contributory service during leave without pay shall be made in dollars in accordance with sections E, F and G below.	D.2 Contributions for the purpose of validation, restoration, or the accrual of contributory service during leave without pay, or through additional contributions made by the part-time staff member, shall be made in dollars in accordance with sections E, F and G below.	**To allow the purchase of additional years of contributory service by part-time staff.**
Section F. Restoration of prior contributory service		
F.2 (a) The secretary of the committee, if satisfied that the conditions of article 24 (a) have been fulfilled, shall ascertain from the Chief Executive Officer the periods of prior contributory service of the participant, together with the amount of the withdrawal settlement	F.2 (a) The secretary of the committee, if satisfied that the conditions of article 24 (a) have been fulfilled, shall ascertain from the Chief Executive Officer the periods of prior contributory service of the participant, together with the amount of the	**Relevant change to article 24 (a).**

Existing text	*Proposed text*	*Comments*
received under article 31 (b) (i) and the interest thereon to the date of the notice of election, and shall notify the participant in writing of the total amount due;	**[withdrawal settlement received under article 31 (b) (i)]** lump-sum payment received by the participant in respect of the previous participation and the interest thereon to the date of the notice of election, and shall notify the participant in writing of the total amount due;	
	F.6 To the extent required for benefit calculation purposes, the notional pensionable remuneration for the entire disability benefit period recognized as contributory service pursuant to article 24 (b) of the Regulations shall be deemed to be the same as that on the day immediately preceding the commencement date of the disability benefit.	**Relevant change to article 24 (b).**
Section G. Leave without pay		
G.1 A participant who wishes contributory service to accrue in terms of article 22 (b) of the Regulations in respect of leave without pay shall make arrangements with the member organization by which he or she is employed for the full contributions to be remitted to the Fund concurrently with such leave in the same manner as contributions due in respect of a participant in pay status.	G.1 A participant who wishes contributory service to accrue in terms of article 22 (b) of the Regulations in respect of leave without pay shall make arrangements with the member organization by which he or she is employed for the full contributions to be remitted to the Fund concurrently with such leave in the same manner as contributions due in respect of a participant in pay status.	
G.2 A participant to whom the provisions of article 25 (b) (ii) apply shall remit to the organization the amounts due in respect of a period of leave without pay prior to the date of separation and, in any case, not later than within one year after the resumption of pay status.	**[G.2 A participant to whom the provisions of article 25 (b) (ii) apply shall remit to the organization the amounts due in respect of a period of leave without pay prior to the date of separation and, in any case, not later than within one year after the resumption of pay status.**	**Relevant change to article 24 (b).**

Existing text	*Proposed text*	*Comments*
G.3 At participant's request, notification of the amount due under rule G.2 above shall be provided by the secretary of the staff pension committee of the organization from which he or she was granted leave without pay.	**G.3 At participant's request, notification of the amount due under rule G.2 above shall be provided by the secretary of the staff pension committee of the organization from which he or she was granted leave without pay.]** New G.2: G.1 shall apply, mutatis mutandis, to contributions made under article 25 (b) (iii). (and renumbering the remaining provisions of section G)	
Section I. Entitlement to benefits		
I.2 Entitlement to a benefit under article 36 (a) of the Regulations shall continue to the end of the month in which the child marries or reaches the age of twenty-one.	I.2 Entitlement to a benefit under article 36 (a) of the Regulations shall continue to the end of the month in which the child [**marries or**] reaches the age of twenty-one.	**Relevant change to article 36 (a).**

Annex XVI

Revised administrative expenses for the biennium 2008-2009

(Thousands of United States dollars)

Category	*Appropriations*			*Changes increase/(decrease)*			*Revised estimates*			*Variance*
	United Nations (a)	*Fund* (b)	*Total* (c)=(a)+(b)	*United Nations* (d)	*Fund* (e)	*Total* (f)=(d)+(e)	*United Nations* (g)=(a)+(d)	*Fund* (h)=(b)+(e)	*Total* (i)=(g)+(h)	(j)=(f)/(c)
Administrative costs										
Posts	11 231.8	24 020.9	35 252.7	—	—	—	11 231.8	24 020.9	35 252.7	—
Other staff costs	364.0	3 268.6	3 632.6	—	—	—	364.0	3 268.6	3 632.6	—
Consultants	—	—	—	—	85.0	85.0	—	85.0	85.0	100.0
Travel	—	804.1	804.1	—	271.1	271.1	—	1 075.2	1 075.2	33.7
Contractual services	3 362.9	16 015.2	19 378.1	—	—	—	3 362.9	16 015.2	19 378.1	—
Hospitality	—	3.2	3.2	—	—	—	—	3.2	3.2	—
General operating expenses	3 076.0	9 147.1	12 223.1	(150.6)	(301.1)	(451.7)	2 925.4	8 846.0	11 771.4	(3.7)
Supplies and materials	66.4	173.0	239.4	—	—	—	66.4	173.0	239.4	—
Furniture and equipment	465.9	3 995.7	4 461.6	—	—	—	465.9	3 995.7	4 461.6	—
Subtotal	**18 567.0**	**57 427.8**	**75 994.8**	**(150.6)**	**55.0**	**(95.6)**	**18 416.4**	**57 482.8**	**75 899.2**	**(0.1)**
Investment costs										
Posts	—	12 122.5	12 122.5	—	—	—	—	12 122.5	12 122.5	—
Other staff costs	—	657.0	657.0	—	—	—	—	657.0	657.0	—
Consultants	—	1 384.5	1 384.5	—	—	—	—	1 384.5	1 384.5	—
Travel	—	1 888.0	1 888.0	—	—	—	—	1 888.0	1 888.0	—
Contractual services	—	50 279.7	50 279.7	—	1 930.5	1 930.5	—	52 210.2	52 210.2	3.8
Hospitality	—	22.0	22.0	—	—	—	—	22.0	22.0	—
General operating expenses	—	5 866.4	5 866.4	—	(203.9)	(203.9)	—	5 662.5	5 662.5	(3.5)
Supplies and materials	—	101.2	101.2	—	—	—	—	101.2	101.2	—
Furniture and equipment	—	26.6	26.6	—	563.0	563.0	—	589.6	589.6	2 116.5
Subtotal	—	**72 347.9**	**72 347.9**	—	**2 289.6**	**2 289.6**	—	**74 637.5**	**74 637.5**	**3.2**
Audit costs										
External audit	113.7	568.4	682.1	—	—	—	113.7	568.4	682.1	—
Internal audit	317.9	1 589.7	1 907.6	—	—	—	317.9	1 589.7	1 907.6	—
Subtotal	**431.6**	**2 158.1**	**2 589.7**	—	—	—	**431.6**	**2 158.1**	**2 589.7**	—

Category	Appropriations			Changes increase/(decrease)			Revised estimates			Variance
	United Nations (a)	Fund (b)	Total (c)=(a)+(b)	United Nations (d)	Fund (e)	Total (f)=(d)+(e)	United Nations (g)=(a)+(d)	Fund (h)=(b)+(e)	Total (i)=(g)+(h)	(j)=(f)/(c)
Board expenses	—	62.7	62.7	—	10.0	10.0	—	72.7	72.7	15.9
Total	**18 998.6**	**131 996.5**	**150 995.1**	**(150.6)**	**2 354.6**	**2 204.0**	**18 848.0**	**134 351.1**	**153 199.1**	**1.5**
Extrabudgetary costs (after-service health insurance)										
Other staff costs		153.6	153.6		—	—	—	153.6	153.6	—

Annex XVII

Draft resolution proposed for adoption by the General Assembly

[The draft resolution covers those matters discussed in the report of the United Nations Joint Staff Pension Board which require action by the General Assembly, as well as other matters in the report that the Assembly may wish to note in its resolution.]

The General Assembly,

Recalling its resolutions 55/224 of 23 December 2000, 57/286 of 20 December 2002, 59/269 of 23 December 2004, 61/240 of 22 December 2006 and 62/241 of 22 December 2007,

Having considered the report of the United Nations Joint Staff Pension Board for 2008 to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund,[a] the report of the Secretary-General on the investments of the Fund and the related report of the Advisory Committee on Administrative and Budgetary Questions,

I
Actuarial matters

Recalling section I of its resolution 59/269 and section I of its resolution 61/240,

Having considered the results of the valuation of the United Nations Joint Staff Pension Fund, which revealed a sixth consecutive actuarial surplus as at 31 December 2007, and the observations thereon by the consulting actuary of the Fund, the Committee of Actuaries and the United Nations Joint Staff Pension Board,

1. *Takes note* of the results of the actuarial valuation of the United Nations Joint Staff Pension Fund, which went from an actuarial surplus of 0.36 per cent of pensionable remuneration as at 31 December 1997 to an actuarial surplus of 4.25 per cent of pensionable remuneration as at 31 December 1999, to an actuarial surplus of 1.29 per cent of pensionable remuneration as at 31 December 2005 and to 0.49 per cent of pensionable remuneration as at 31 December 2007, and, in particular, of the opinions by the consulting actuary and the Committee of Actuaries, as reproduced in annexes III and IV respectively to the report of the United Nations Joint Staff Pension Board;[a]

2. *Notes* that the Committee of Actuaries expressed the view that, based on the decrease of the surplus during the period since the valuation in 2005, the current surplus would not be sufficient to support any benefit improvements at the present time and that, in its view, the entire surplus should be retained;

3. *Takes note* of the decision of the Board, taken at its fifty-fourth session, in 2007, to adopt new mortality tables that reflected improved longevity rates for participants covered by the Fund, and notes that in 2008 the Board agreed that the resultant changes in commutation, transfer value and other factors should be implemented, with effect from 1 January 2009, and that the estimated cost, 0.25 per cent of pensionable remuneration, would be reflected in the next actuarial valuation as at 31 December 2009;

[a] *Official Records of the General Assembly, Sixty-third Session, Supplement No. 9* (A/63/9).

4. *Notes* that the United Nations Joint Staff Pension Fund carried out its first asset-liability management study in 2007, which confirmed, among other things, that the Fund had a reliable actuarial process, that its asset allocation was sound and that the Fund was stable and well funded;

II
Pension adjustment system

Recalling section II of its resolution 59/269 and section II of its resolution 61/240,

Having considered the reviews carried out by the consulting actuary, the Committee of Actuaries and the United Nations Joint Staff Pension Board, as set out in the report of the Board,[a] of various aspects of the pension adjustment system,

Takes note of the Board's most recent review of the impact of currency fluctuations on pension benefits and the variations in amounts due as a result of different separation dates, and of the Board's decision to continue to monitor the situation closely and to review the matter again at its fifty-sixth session, in 2009,

III
Financial statements of the United Nations Joint Staff Pension Fund and report of the Board of Auditors

Having considered the financial statements of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2007, the audit opinion and report of the Board of Auditors thereon, the information provided on the internal audits of the Fund and the observations of the United Nations Joint Staff Pension Board,[a]

1. *Notes* that the report of the Board of Auditors on the accounts of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2007 indicated that the financial statements presented fairly, in all material respects, the financial position of the Fund and that the transactions tested as part of the audit were, in all significant respects, in accordance with the Regulations and Rules of the Fund and legislative authority;

2. *Takes note* of the recommendations made by the Audit Committee to the United Nations Joint Staff Pension Board, set out in paragraphs 236 to 252 of the report of the Board, and the approval of those recommendations by the Board, including the decision concerning equal travel standards for all members of the Audit Committee;

IV
Administrative arrangements, revised budget and longer-term objectives of the United Nations Joint Staff Pension Fund

Recalling section X of its resolution 58/272 of 23 December 2003, section IV of its resolution 59/269, section III of its resolution 60/248 and section IV of its resolution 61/240 concerning the administrative arrangements and expenses of the United Nations Joint Staff Pension Fund,

Having considered chapter VI of the report of the United Nations Joint Staff Pension Board[a] on the administrative arrangements of the Fund,

1. *Takes note* of the information set out in paragraphs 180 to 197 of the report of the United Nations Joint Staff Pension Board on the revised budget estimates for the biennium 2008-2009;

2. *Approves* the increase of 2,204,000 United States dollars in total additional resources for the biennium 2008-2009, noting that the revised estimates for the biennium would amount to a total appropriation of 153,199,100 dollars;

3. *Notes* that the Board approved the project plan and implementation approach with respect to the Integrated Pension Administration System;

4. *Takes note* of the information concerning the whole office review of the staffing and organizational structure of both the secretariat of the United Nations Joint Staff Pension Fund and the Investment Management Service and of the Board's recommendations, set out in paragraphs 170 to 179 of the report of the Board;

5. *Notes* the support of the Board for the efforts of the Secretary/Chief Executive Officer to present a more strategic approach to performance issues in the third management charter of the Fund;

V

Benefit provisions

Recalling section V of its resolution 57/286, section VI of its resolution 59/269 and section V of its resolution 61/240,

1. *Endorses* the decision taken by the Board in 2007, in which it reaffirmed its earlier decision maintaining that the United Nations Joint Staff Pension Fund should determine entitlements to pension benefits, in particular under articles 34 and 35 of the Regulations of the Fund, which cover spousal benefits, in accordance with the personal status of a participant as recognized and reported to the Fund by the participant's employing organization, on the understanding that the final verification, that the personal status has remained the same, will be done by the Fund at the time of granting such pension benefits;

2. *Approves* the changes in the benefit provisions that would streamline the application of the relevant provisions governing family or former family members under articles 35 bis, 35 ter and 36, as set out in annex XIV to the report of the Board;[a]

3. *Also approves* the amendment to article 24 (b) of the Regulations of the Fund, as set out in annex XIV to the report of the Board, which would allow participants who return to active contributory service after a period of disability to count such periods of disability as contributory service without requiring the participant to pay contributions for that period;

4. *Further approves* amendments to the Regulations of the Fund, as set out in annex XIV to the report of the Board, which would allow for the purchase of additional years of contributory service by part-time staff;

VI
Other matters

1. *Takes note* of the agreement of the United Nations Joint Staff Pension Board:

(a) To reiterate the request that the Secretary/Chief Executive Officer and the Representative of the Secretary-General for Investments of the Fund review the memorandum of understanding between the secretariat of the United Nations Joint Staff Pension Fund and the Investment Management Service, with a view to strengthening coordination and the consultation process, in particular with regard to financial management and investment policy;

(b) To consider the consolidation of information technology services as a priority among the items being addressed in the context of the memorandum of understanding;

(c) To approve the extension of the current contract with the Fund's consulting actuary for an additional two-year period, until 31 December 2010;

(d) To clarify that the scope of the revision in 2006 of article 24, concerning the elimination of the limitation on the right to restoration based on years of prior service, did not cover only those participants who had received a withdrawal settlement, but also those who had elected a deferred retirement benefit (full or partial) as long as no periodic benefit payments of their deferred benefit had been made, as set out in paragraphs 329 and 330 of the report of the Board,[a] and as clarified in the technical amendments to the Regulations of the Fund, set out in annex XIV to the report of the Board;

(e) To amend administrative rule B.6 (b) of the Fund in order to align the time lin[illegible]herein (36 months) with articles 21 and 32 of the Regulations of the Fund;

(f) With regard to the impact on bank charges on small pensions, to encourage the secretariat of the Fund to continue to work on reducing costs to beneficiaries;

(g) To remain informed of developments with regard to the new system of administration of justice of the United Nations as far as it would have consequences on the exercise of jurisdiction by the United Nations Appeals Tribunal over the Fund's participants or other applicants in pension matters;

2. *Welcomes* the information that all the committees of the Fund had been presented, and the Board had approved, a declaration of conflict of interest, which referred to the mandate and the focus of each committee and covered the status, conduct and accountability of the members of the Investments Committee, the Committee of Actuaries and the Audit Committee;

3. *Takes note* of the decision of the Board to establish a working group to consider future proposals concerning the plan design of the Fund, including the principles recommended by the Committee of Actuaries, set out in paragraphs 280-286 of the report of the Board, and keeping as a priority the remainder of the recommendations made by the Board in 2002 that already had been approved, in principle, by the General Assembly;

4. *Decides*, upon the affirmative recommendation of the Board, that the Special Tribunal for Lebanon shall be admitted as a new member organization of the Fund, effective 1 January 2009;

VII
Investments of the United Nations Joint Staff Pension Fund

1. *Takes note* of the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and the observations of the United Nations Joint Staff Pension Board, as set out in its report;[a]

2. *Also takes note* of the Board's observations and suggestions to the Representative of the Secretary-General for the Investments of the Fund concerning the introduction of alternative asset classes to the investments of the Fund;

3. *Further takes note* of the initiative for responsible investing and the Board's affirmation of support for such principles, subject to the criteria for investment of the assets of the Fund of safety, liquidity, convertibility and profitability;

4. *Approves* the inclusion of contractual settlement provisions in the agreement with the Global Custodian of the Fund, as recommended by the Board.

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